

ANNUAL BUDGET OF

HESSEQUA MUNICIPALITY

**2012/13 TO 2014/15 MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

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Part 1 – Annual Budget

1.1 Mayor's Report

The Mayor will deliver her Budget address during the final budget meeting in May 2012

1.2 Executive Summary

The application of sound financial management principles for the compilation of Hessequa Municipality's financial plan is essential and critical to ensure that it remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. A critical review was also undertaken of expenditures on non-core and „nice to have“ items. This has resulted in savings to the municipality. Key areas where savings were realized were on telephone usage, printing, overseas and national travel and social projects. However the compilation of the new valuation roll will add R1.6m to the councils expenditure.

The municipality reduced its capital budget out of own funds over the MTREF period and for the 2013/2014 financial year from R56.7m in 2012/2013 to R24,2m in 2013/2014. The reason for the reduction is because of a lack of cash and the effect that external loans has on the councils tariffs. The cash backed reserves were previously obtained by the sale of municipal land. Due to the worldwide economic downturn, no sale of municipal land is realized, however for the outer years we do anticipate that the economy will stabilize and therefore budgeted income from land sales in the outer years should be obtained.

The municipality has an approved credit control policy and applies it strictly. The implementation of the new property rates act and the dire financial straits in which investors find themselves, has contributed to the increase in debtors. The most effective way of applying the credit control policy, is to disconnect services. Council is in an advance stage with the handing over of arrear accounts, and the effect of the payment of outstanding accounts is starting to show positive results in the debtors figures. Over the MTREF period collection rates should increase, bearing in mind the assumption that collection rates over the MTREF period will be 100 percent+. We are constantly busy with customer care initiatives so that a people led government is ensured.

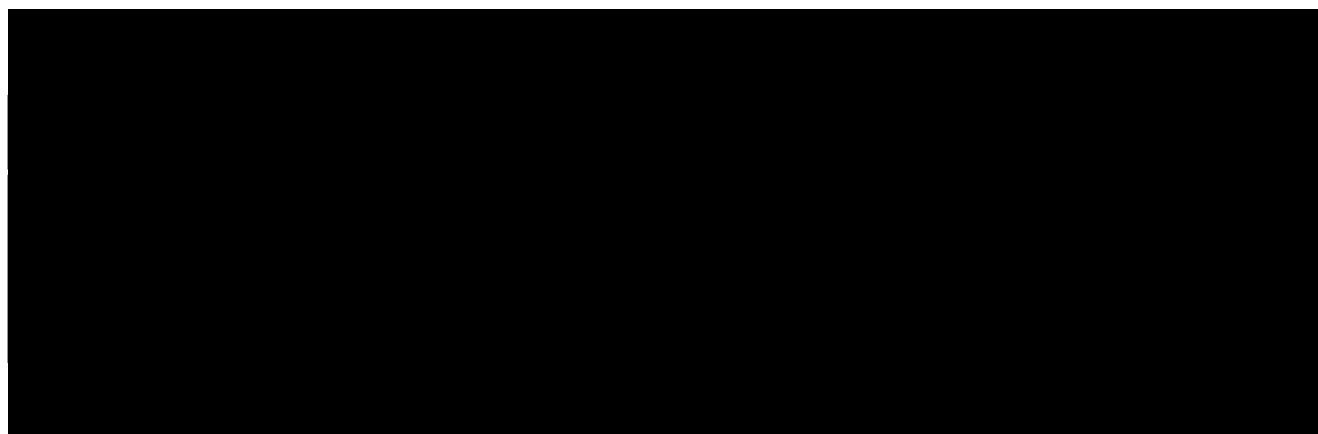
National Treasury's MFMA Circular No's 58 and 59 were used where necessary to guide the compilation of the 2013/14 MTREF.

The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy.
- Ageing and increasing in the maintenance of water, roads, sewerage and electricity infrastructure.
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality.
- The increased cost of bulk water and electricity (due to tariff increases from Overberg Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable – our customers are at the point where the tariffs of the municipality are no longer affordable.
- Salary increases for municipal staff that continues to exceed consumer inflation, as well as the need to fill critical vacancies for the municipality to comply with legislation.
- Affordability of urgent capital projects.
- Affordable borrowing cost.

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- The 2013/14 MTREF budget prioritizes and targets the municipality to ensure sustainable service levels. The draft capital budget over the MTREF period provides for the minimum resources that are needed for the current infrastructure and does not address virtually all backlogs of the past. This will result in unaffordable capital budgets.
- The council's goal is to keep tariff increases as low as possible. Unfortunately we could not keep to the 5% increase as proposed in budget circular 58, and the tariffs for rates, refuse, sewerage and water are considerably higher. The electricity tariff increase is in accordance with the NERSA proposal of approximately 11.02%. Factors such as salaries which make out a large component of the budget, increases 6.5%, and capital cost have increased by 23,5% from 2011/2012.
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;



Revenue

Total operating revenue has grown by 7,3% or R18.5m for the 2012/2013 financial year compared to the 2011/2012 Adjusted Budget.

For the two outer years, operational revenue will increase by 11.1% and 12.7% respectively, equating to a total revenue growth of R86.8m over the MTREF when compared to the 2011/2012 financial year.

Expenditure

Total operating expenditure for the 2012/2013 financial year has been appropriated at R279,2m and translates into a budgeted deficit of R9,1 million. When compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 6,1 per cent in the 2012/13 budget and by 7,2 and 7,9 per cent for each of the respective outer years of the MTREF. The operating deficit changes to surpluses for the outer years of R0.9m and R15,6m. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

Budgeted Deficit for 2012/2013

The main drivers of the budgeted deficit of R9,1 million is depreciation and provision for retirement benefits. The incorporation of all assets into the asset register has greatly increases the amount of depreciation provided for in the budget, and is impossible to be recovered by tariffs. Although the depreciation charges and retirement benefits is not a cash-backed transaction, it is reflected in the budgeted deficit, however in the outer years

this anomaly will no longer exist, since land sales will result in the deficit changing to a surplus.

Capital Budget

The capital budget of R46,8m for 2012/2013 is 34,7% less when compared to the 2011/2012 Adjusted Budget. The reduction is due to affordability constraints in the light of current economic circumstances.

The capital programme increases for the two outer years by 28,1% and 7,6% respectively. A substantial portion of the capital budget will be funded from borrowing over MTREF with anticipated borrowing of R15,6m for 2012/13 and R16,2 and R17,3 million for the outer years. Borrowing will contribute 33,3, 26,9 and 26,7 per cent of capital expenditure in each of the MTREF years. The balance will be funded from internally generated funds, government grants and public contributions.

The repayment of capital and interest (debt services costs) has substantially increased over the past years as a result of the aggressive capital infrastructure programme implemented.

1.3 Operating Revenue Framework

For Hessequa to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macro economic policy;
- Efficient revenue management, which aims to ensure a 100+ per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policy.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table 1 Summary of revenue classified by main revenue source

WC042 Hessequa - Table A4 Budgeted Financial Performance (revenue and expenditure)										
Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Budget Year 2011/12	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Revenue By Source</u>										
Property rates	31 812	40 125	42 631	47 564	47 564	47 564	47 564	51 862	58 112	63 941
Property rates - penalties & collection charges				-	-	-				
Service charges - electricity revenue	44 539	60 604	73 194	85 139	85 139	85 139	85 139	93 771	105 377	117 043
Service charges - water revenue	13 673	13 834	16 707	18 275	18 275	18 275	18 275	22 108	24 788	27 268
Service charges - sanitation revenue	13 349	12 263	13 688	14 662	14 662	14 662	14 662	17 094	19 144	21 059
Service charges - refuse revenue	7 509	8 709	9 781	10 932	10 932	10 932	10 932	12 021	13 463	14 810
Service charges - other	5 179	5 027	4 851	5 023	5 023	5 023	5 023	5 525	6 077	6 685
Rental of facilities and equipment	2 993	3 168	3 585	3 539	3 539	3 539	3 539	4 045	4 302	4 678
Interest earned - external investments	10 356	5 897	3 967	4 500	3 800	3 800	3 800	4 020	4 140	4 260
Interest earned - outstanding debtors	1 419	1 040	1 063	1 081	1 081	1 081	1 081	1 353	1 518	1 669
Dividends received					-	-	-			
Fines	2 612	2 569	2 633	2 446	2 446	2 446	2 446	2 500	2 686	2 894
Licences and permits	212	205	294	273	273	273	273	277	298	309
Agency services	1 147	1 199	1 221	1 215	1 215	1 215	1 215	1 248	1 266	1 284
Transfers recognised - operational	43 424	99 895	48 481	48 761	53 778	53 778	53 778	50 608	46 189	49 623
Other revenue	6 537	3 906	14 296	2 851	2 717	2 717	2 717	2 633	2 797	2 897
Gains on disposal of PPE	579	625	3 223	20 150	1 150	1 150	1 150	1 000	10 000	20 000
Total Revenue (excluding capital transfers and contributions)	185 340	259 067	239 615	266 411	251 594	251 594	251 594	270 065	300 157	338 420

Table 2 Percentage growth in revenue by main revenue source

Description		Ref	2012/13 Medium Term Revenue & Expenditure Framework							
R thousand		Adjusted Budget 2011/12	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%	
Revenue By Source										
Property rates		47 564	18.9	51 862	19.2	58 112	19.4	63 941	18.9	
Service charges - electricity revenue		85 139	33.8	93 771	34.7	105 377	35.1	117 043	34.6	
Service charges - water revenue		18 275	7.3	22 108	8.2	24 788	8.3	27 268	8.1	
Service charges - sanitation revenue		14 662	5.8	17 094	6.3	19 144	6.4	21 059	6.2	
Service charges - refuse revenue		10 932	4.3	12 021	4.5	13 463	4.5	14 810	4.4	
Service charges - other		5 023	2.0	5 525	2.0	6 077	2.0	6 685	2.0	
Rental of facilities and equipment		3 539	1.4	4 045	1.5	4 302	1.4	4 678	1.4	
Interest earned - external investments		3 800	1.5	4 020	1.5	4 140	1.4	4 260	1.3	
Interest earned - outstanding debtors		1 081	0.4	1 353	0.5	1 518	0.5	1 669	0.5	
Dividends received		–	0.0		0.0		0.0		0.0	
Fines		2 446	1.0	2 500	0.9	2 686	0.9	2 894	0.9	
Licences and permits		273	0.1	277	0.1	298	0.1	309	0.1	
Agency services		1 215	0.5	1 248	0.5	1 266	0.4	1 284	0.4	
Transfers recognised - operational		53 778	21.4	50 608	18.7	46 189	15.4	49 623	14.7	
Other revenue		2 717	1.1	2 633	1.0	2 797	0.9	2 897	0.9	
Gains on disposal of PPE		1 150	0.5	1 000	0.4	10 000	3.3	20 000	5.9	
Total Revenue (excluding capital transfers and contributions)		251 594	100.0	270 065	100.0	300 157	100.0	338 420	100.0	

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the council. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2012/13 financial year, revenue from rates and services charges totalled R150,5m or 74,9 per cent. This increases to R168,8m and R186,8m in the respective outer financial years of the MTREF.

Property rates amount to R51,9m or 19,2 per cent of total income increases to R58,1m by 2013/14.

The following graph show the % income per category for the 2012/13 draft budget:

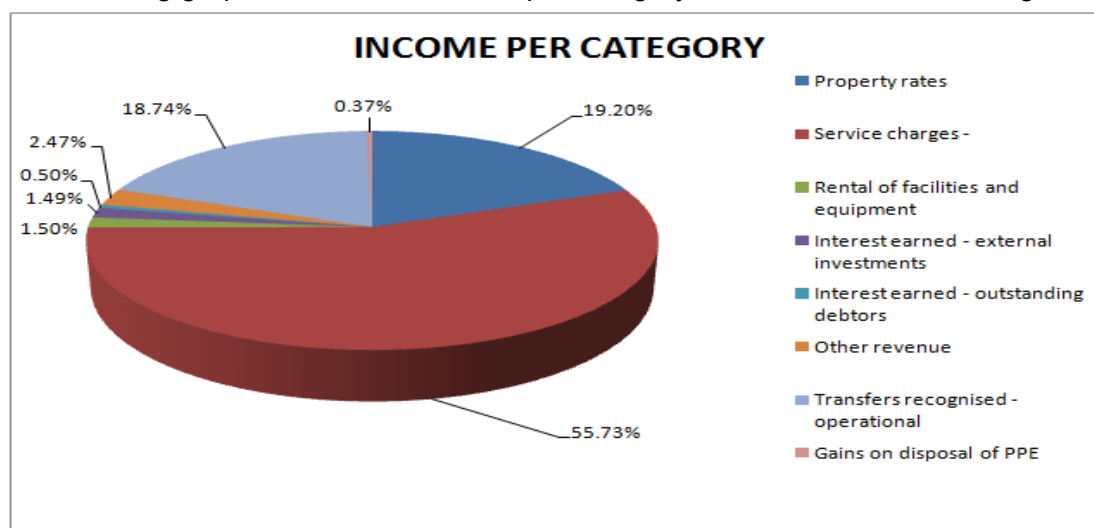


Table 3 Operating Transfers and Grant Receipts

Operating grants and transfers totals R50,6m in the 2012/13 financial year. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

WC042 Hessequa - Operating Transfers and Grant Receipts									
Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
RECEIPTS:									
Operating Transfers and Grants									
National Government:	21 500	25 812	30 046	29 717	30 433	30 433	29 212	31 635	34 346
Local Government Equitable Share	14 776	16 489	21 258	23 227	23 227	23 227	26 522	28 810	31 232
Systems Improvement Grant	359	431	404	790	1 105	1 105	800	900	950
Financial Management Grant	651	754	1 187	1 250	1 588	1 588	1 250	1 250	1 450
MIG (including Flood Disaster)	1 587	2 169	390	450	514	514	640	675	714
DME - Energy Efficiency and Demand Management	4 127	5 969	6 806	4 000	4 000	4 000			
Provincial Government:	17 439	71 793	17 890	18 746	20 327	20 327	21 136	14 284	14 997
Dept Vervoer (Main Road Subsidy)	184	208	300	106	106	106	231	-	-
CDW Operational Support Grant	162	48	50	26	-	-	27	28	28
Library extended Staff Levels Conditional Grant	369	389	475	560	560	560	616	-	-
Library Replacement Funding for Vulnerable Municipalities Grant				-	1 607	1 607	3 357	-	-
Public Transport Infrastructure Grant				370	370	370			
Human Settlement Grant - Low Cost Housing	16 157	70 299	17 000	17 684	17 684	17 684	16 905	14 256	14 969
Other	567	849	65						
District Municipality:	346	119	184	-	-	-	-	-	-
<i>Eden District Municipality - Various other</i>	346	119	184						
Other grant providers:	4 139	2 170	361	542	3 018	3 018	260	270	280
<i>Other grant providers:</i>	4 139	2 170	361	542	3 018	3 018	260	270	280
Total Operating Transfers and Grants	43 423	99 895	48 482	49 005	53 778	53 778	50 608	46 189	49 623

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 5 per cent. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment. Due to the increase of 6.5% in the salary component and 23,5% in the borrowing costs, the municipality could not adhere to the target of 5% as set out in budget circular 58.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity service is largely outside the control of the council.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, etc. The current challenge facing the council is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either

operational efficiency gains or service level reductions. Within this framework the council has undertaken the tariff setting process relating to service charges as follows.

1.3.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the ratable value (Section 17(h) of the MPRA). In addition to this rebate, a further R35 000 reduction on the market value of a property will be granted in terms of the councils own Property Rates Policy;
- 10 per cent rebate will be granted on all residential properties in private owned towns and farm properties used for residential and business purposes.
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners the following rebates are implemented;

REBATES - PENSIONERS			
Par 9.2.2.2 (a) INCOME: R 0.00 - R3 000 PER MONTH			25%
Par 9.2.2.2 (b) INCOME: R3 001 - R8 000 PER MONTH			15%
ADDITIONAL TO ABOVE REBATES			
Par 9.2.2.3 (a) 60YEAR - 75YEAR			25%
Par 9.2.2.3 (b) 76YEAR - 85YEAR			35%
Par 9.2.2.3 (c) 86YEAR AND OLDER			45%

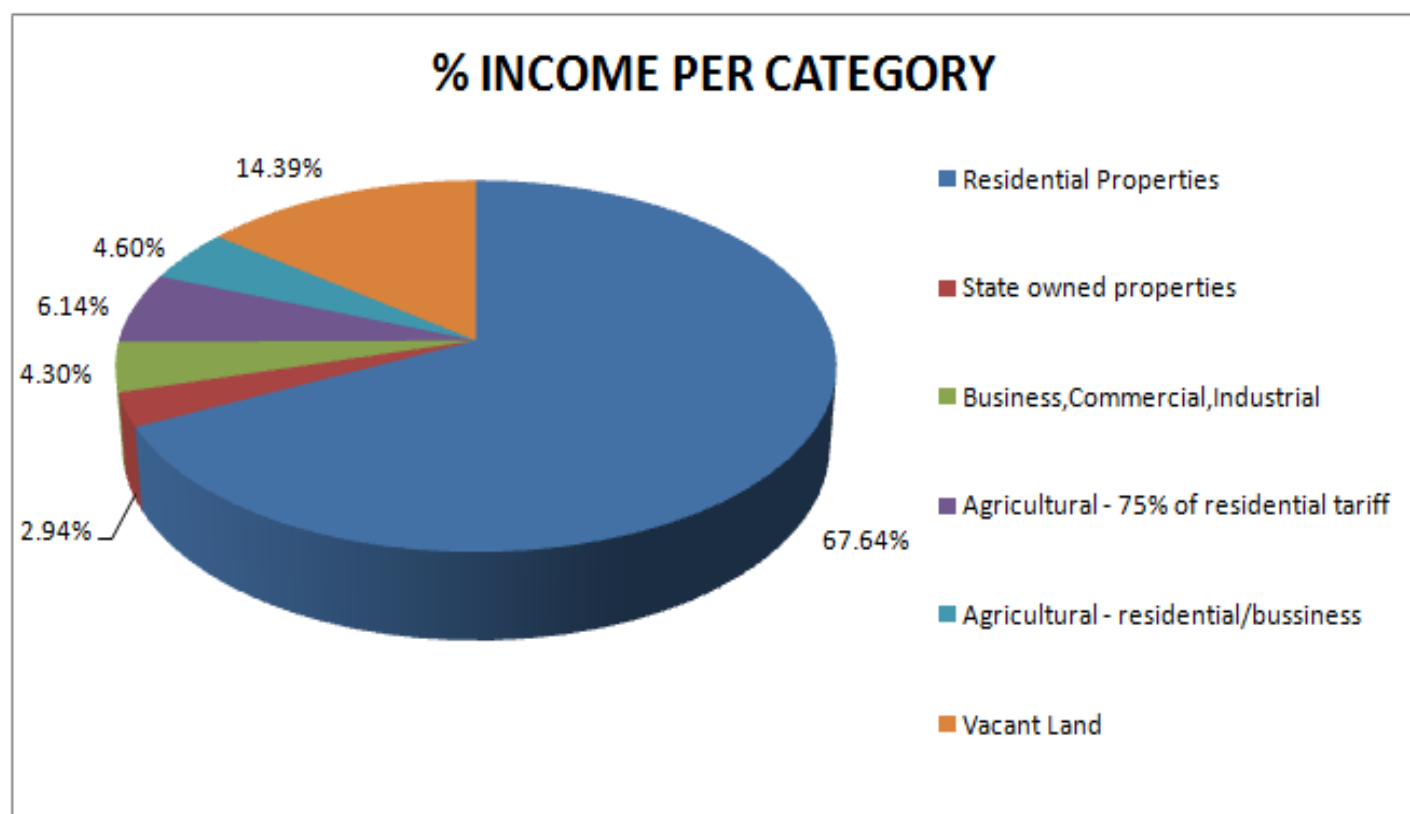
- The Municipality awards a 100 per cent grant-in-aid on the assessment rates of ratable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of ratable properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a 9 per cent increase from 1 July 2012 is set out below:

TABLE 4 COMPARISON OF PROPOSED RATES TO LEVIED FOR THE 2012//13 FINANCIAL YEAR

CATEGORY	TARIFF 2011/12	PROPOSED TARIFF 2012/13	% INCREASE	INCOME
Residential Properties	0.004224	0.004604	9	37 793 245
State owned properties	0.008849	0.009645	9	1 641 186
Business,Commercial,Industrial	0.004324	0.004713	9	2 402 187
Agricultural - 75% of residential tariff	0.001056	0.001151	9	3 429 295
Agricultural - residential/bussiness	.004224/.004324	.004604/.004713	9	2 570 682
Vacant Land	0.005909	0.006441	9	8 039 155
				55 875 749

The following graph shows the % income for each category;



1.3.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it does with electricity, since water is a scarce source. Hessequa equalized its water tariffs in 2011/2012, so that all consumers within its jurisdiction pay the same water tariffs. The tariff structure of the 2012/13 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R9.20 per kilolitre for consumption in excess of 70kl per 30 day period. The sliding scales that are applied enables the consumer to regulate his monthly water consumption.

The draft budget makes provision for the implementation of a new tariff for basic service fees in respect of accommodation establishments. The following table reflects the amount payable for a property that has a 20mm connection. If the connection is bigger than 20mm, one basic fee will be payable according to the size of the connection, and the other will be levied as a 20mm connection where applicable. (tariffs exclude vat)

<u>BASIC FEES -ACCOMODATION ESTABLISHMENTS</u>			<u>Per Month</u>
Tariff:	1 unit	basic x 1	R 78.00
Tariff:	2 - 5 units	basic x 2	R 156.00
Tariff:	6 - 10 units	basic x 3	R 234.00
Tariff:	11 - 20 units	basic x 5	R 390.00
Tariff:	21+ units	basic x 10	R 780.00

Currently the municipality experiences enormous water losses possibly as a result of consumption that is not metered, underground leakages and pipe breaks. The infrastructure is very old, and pipelines are very very long, (in some instances in excess of 20 kilometers) and the possibility that underground leakages occurs is very real.

The following was taken into account with the compilation of the proposed tariffs:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

A tariff increase of plus minus 8 per cent from 1 July 2012 for water is proposed. In addition 6 kℓ water per 30-day period will again be granted free of charge to all indigent residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

TABLE 5 PROPOSED WATER TARIFFS

The following table shows the impact of the proposed increases in water tariffs on the water charges for domestic and other consumers:

CATEGORY	CURRENT TARIFFS 2011/2012 Rand per kl (excl. Vat)	PROPOSED TARIFFS 2012/2013 Rand per kl (excl. Vat)	% INCREASE
<u>Residential</u>			
Water consumption: 1 - 6kl	R 4.00	R 4.30	7.5
Water consumption: 7 - 15kl	R 4.00	R 4.30	7.5
Water consumption: 16 - 30kl	R 4.50	R 4.85	7.8
Water consumption: 31 - 40kl	R 5.00	R 5.40	8.0
Water consumption: 41 - 50kl	R 6.00	R 6.50	8.3
Water consumption: 51 - 70kl	R 7.00	R 7.55	7.9
Water consumption: >70kl	R 8.50	R 9.20	8.2
<u>Old Age Homes/Schools</u>			
Water consumption: 1 - 70kl	R 3.50	R 3.80	8.6
Water consumption: 70 - 90kl	R 4.00	R 4.30	7.5
Water consumption: > 90kl	R 5.00	R 5.40	8.0

Indigent Customers – 6kl free water

Basic fees increase by 8%

Sundry fees increase by 10%

1.3.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 13.5 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by an average of 11.03 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the year on year increase of the tariff, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge. Although the guideline from NERSA recommends an increase of 13.56% on Block 2 (consumption 51 – 350kWh), the municipality raised the block for indigents with 6%. In the draft budget the tariff of indigents which consumption is above 350kWh per month has been increased to be the same as that of residential consumers. This has been implemented because the criteria of the draft indigent policy dictates the indigents cannot consume more than 350kWh per month. This is only for pre-paid electricity.

The council has implemented NERSA step tariffs as from 1 July 2011. The effect thereof is the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The council will maintain the current stepped structure of its electricity tariffs.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations, reticulation etc.). Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these

necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore proposed that the taking up of loans or public funding as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets.

The following table shows the impact of the proposed increases in electricity tariff charges for domestic and other consumers:

TABLE 6 COMPARISON BETWEEN CURRENT ELECTRICITY CHARGES AND PROPOSED INCREASES (DOMESTIC & BUSINESS)

CONSUMER	Current Tariff	Proposed Tariff	% increase
	2011/2012	2012/2013	
	per kWh (excl. vat) c	per kWh (excl. vat) c	
1. Domestic - Conventional Meters			
0 - 50kWH	0.5800	0.6113	5.40
51 - 350kWH	0.6700	0.7609	13.57
351 - 600kWH	0.7000	0.7772	11.03
> 600 kWH	0.8200	0.9104	11.02
Basic Charges and per Amp Fees increase by an average of 11.4%			
2. Domestic - Pre-paid Meters (Indigent)			
0 - 50kWH	free	free	
51 - 350kWH	0.8100	0.8586	6.00
351 - 600kWH	0.9800	1.2546	28.02
> 600 kWH	1.1400	1.3435	17.85
3. Domestic - Pre-paid Meters			
0 - 50kWH	1.0400	1.0962	5.40
51 - 350kWH	1.0900	1.2378	13.56
351 - 600kWH	1.1300	1.2546	11.03
> 600 kWH	1.2100	1.3435	11.03
4. Business - Conventional Meters			
Energy consumption per kWh	0.6800	0.7752	14.00
Amp Fee - per amp	4.80	5.30	10.42
Basic Fees	131.00	145.00	10.69
5. Business - Pre-paid Meters			
Energy consumption per kWh	1.0200	1.1628	14.00
6. Bulk Consumers			
Energy consumption per kWh	0.4500	0.4996	11.02
Per KVA	100.00	111.00	11.00
Basic Fees - 11.03%			

1.3.4 Sanitation and Impact of Tariff Increases

A tariff increase of 8% per cent for sanitation from 1 July 2012 is proposed.

The draft budget makes provision for the implementation of a new tariff for basic service fees in respect of accommodation establishments. The following table reflects the amount payable for a property that has a 20mm connection. If the connection is bigger than 20mm, one basic fee will be payable according to the size of the connection, and the other will be levied as a 20mm connection where applicable.

BASIC FEES - ACCOMODATION ESTABLISHMENTS			Per Month
Tariff:	1 unit	basic x 1	R 93.00
Tariff:	2 - 5 units	basic x 2	R 186.00
Tariff:	6 - 10 units	basic x 3	R 279.00
Tariff:	11 - 20 units	basic x 5	R 465.00
Tariff:	21+ units	basic x 10	R 930.00

The following table compares the current and proposed tariffs:

TABLE 7 COMPARISON BETWEEN CURRENT SANITATION CHARGES AND INCREASES – (tariffs exclude vat)

SEWERAGE	Unit	Tariff 2011/2012	Tariff 2012/2013
Availability Fees - Empty Stands			
All Empty Stands - Sewerage Network	Per erf per year	R 1 035.00	R 1 118.00
All Empty Stands - Septic Tanks	Per erf per year	R 516.00	R 557.00
Basic Per Connections			
20mm water connection	Per month	R 86.25	R 93.00
20mm water connection - 15% rebate	Per month	R 86.25	R 93.00
25mm water connection	Per month	R 110.33	R 119.00
32mm water connection	Per month	R 153.50	R 166.00
40mm water connection	Per month	R 215.33	R 233.00
50mm water connection	Per month	R 313.00	R 338.00
80mm water connection	Per month	R 732.00	R 791.00
Basic Per Connections - Septic tanks			
Basic - All Septic Tank Consumers	Per erf per Month	43.00	R 46.00
Basic - Septic Tank Consumers - 15% rebate	Per erf per Month	43.00	R 46.00
4.Conservancy / Septic Tanks - Withdrawals			
Tariff - withdrawal - All Consumers	Per withdrawal	152.00	R 164.00
After hours	Per withdrawal	304.00	R 328.00

1.3.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. For the MTREF period a small surplus has been budgeted for which grow steadily over the two outer years..

A 8 per cent increase in the waste removal tariff is proposed from 1 July 2012.

The draft budget makes provision for the implementation of a new tariff for basic service fees in respect of accommodation establishments. The following table reflects the amount payable for a property that has one refuse removal per week. Should more than one refuse removal per week take place, then one basic fee will be payable according to the amount of removals, and the other will be for one removal where applicable. (tariffs exclude vat)

BASIC FEES -ACCOMODATION ESTABLISHMENTS			Per Month
Tariff:	1 unit	basic x 1	R 71.00
Tariff:	2 - 5 units	basic x 2	R 142.00
Tariff:	6 - 10 units	basic x 3	R 213.00
Tariff:	11 - 20 units	basic x 5	R 355.00
Tariff:	21+ units	basic x 10	R 710.00

The following table compares current and proposed amounts payable from 1 July 2012:

Table 8 Comparison between current waste removal fees and increases

<u>REFUSE REMOVALS</u>	PER UNIT	Tariff: 2011/2012	Tariff: 2012/2013
Domestic Households	Per month	R 66.00	R 71.00
Business/Commercial/Industrial			
Maximum of two removals per week	Per month	R 148.50	R 160.00
Bulk - Business /Commercial/Industrial			
Maximum of three removals per week	Per month	R 329.00	R 355.00
Bulk - Business /Commercial/Industrial			
Maximum of four to seven removals per week	Per month	R 658.00	R 711.00

1.3.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Table 9 - Table SA14 – Household bills

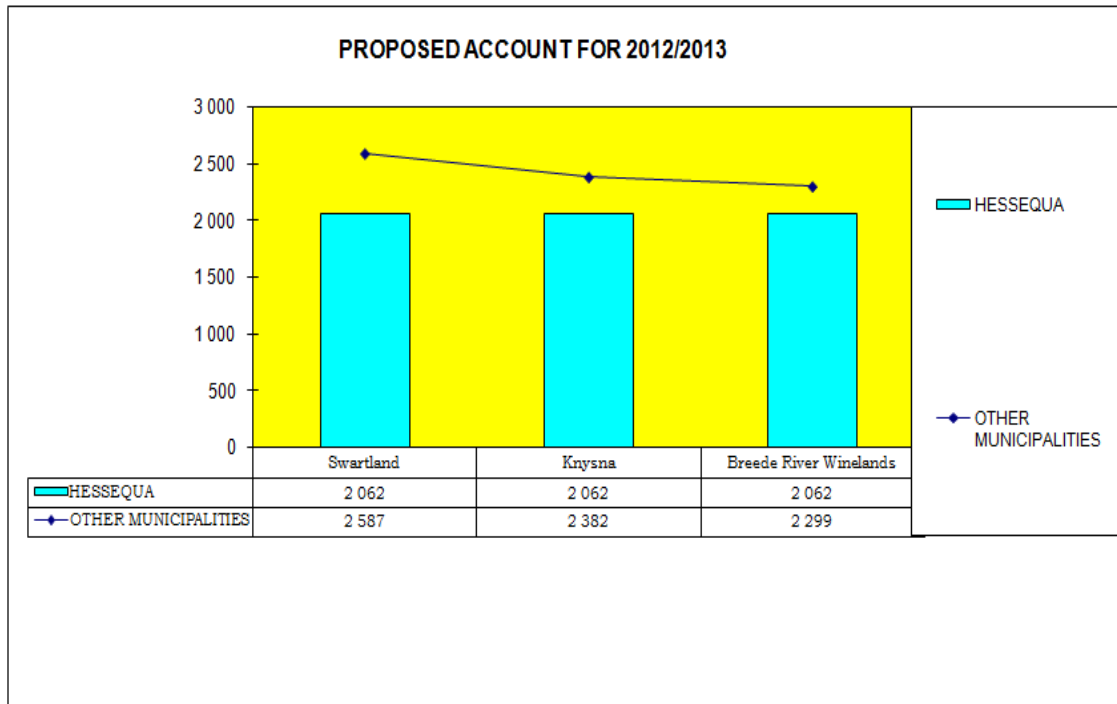
Table 12 MBRR Table SA14 - Household bills											
Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2011/12 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12 % incr.	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		172.09	168.75	209.90	228.80	228.80	228.80	9.0%	249.38	269.33	293.57
Electricity: Basic levy		213.35	253.76	341.00	374.00	374.00	374.00	11.0%	417.00	458.70	504.57
Electricity: Consumption		349.66	162.00	537.00	733.00	733.00	733.00	11.0%	817.30	899.02	988.92
Water: Basic levy		52.14	42.98	47.25	72.00	72.00	72.00	8.0%	78.00	84.24	90.98
Water: Consumption		62.16	59.85	105.00	127.50	127.50	127.50	8.0%	138.00	149.04	160.32
Sanitation		33.76	42.98	80.08	69.00	69.00	69.00	8.0%	93.00	100.44	108.48
Refuse removal		52.74	56.96	61.25	66.00	66.00	66.00	8.0%	71.00	76.68	82.81
Other											
sub-total		935.90	787.28	1,381.48	1,670.30	1,670.30	1,670.30	11.6%	1,863.68	2,037.45	2,229.65
VAT on Services		106.93	75.96	143.88	177.03	177.03	177.03		198.25	217.14	237.76
Total large household bill:		1,042.83	863.24	1,525.36	1,847.33	1,847.33	1,847.33	11.6%	2,061.93	2,254.59	2,467.42
% increase/-decrease			(17.2%)	76.7%	21.1%	-	-		11.6%	9.3%	9.4%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		105.11	168.75	145.31	158.40	158.40	158.40	9.0%	172.65	186.46	205.11
Electricity: Basic levy		164.55	253.76	341.00	374.00	374.00	374.00	11.0%	417.00	458.70	504.57
Electricity: Consumption		170.55	162.00	268.50	335.00	335.00	335.00	11.0%	375.42	412.95	454.25
Water: Basic levy		69.52	42.98	47.25	72.00	72.00	72.00	8.0%	78.00	84.24	90.98
Water: Consumption		128.40	59.85	87.50	105.00	105.00	105.00	8.0%	113.50	124.85	137.33
Sanitation		67.80	42.98	80.08	69.00	69.00	69.00	8.0%	93.00	100.44	108.48
Refuse removal		52.74	56.96	61.25	66.00	66.00	66.00	8.0%	71.00	76.68	82.81
Other											
sub-total		758.67	787.28	1,030.90	1,179.40	1,179.40	1,179.40	12.0%	1,320.57	1,444.32	1,583.53
VAT on Services		91.50	75.96	108.76	125.39	125.39	125.39		140.97	154.47	169.28
Total small household bill:		850.17	863.24	1,139.65	1,304.79	1,304.79	1,304.79	12.0%	1,461.54	1,598.80	1,752.81
% increase/-decrease			1.5%	32.0%	14.5%	0.0%	(0.0%)		12.0%	9.4%	9.6%
				19.82	-0.55	-1.00	-2.00				
'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates			-	-	-	-	-	9.0%	-	-	-
Electricity: Basic levy			-	-	-	-	-	11.0%	-	-	-
Electricity: Consumption		3.57	101.25	161.10	201.00	201.00	201.00	11.0%	228.27	379.35	417.28
Water: Basic levy			-	-	-	-	-	8.0%	-	-	-
Water: Consumption		-	44.10	66.50	58.50	58.50	58.50	8.0%	63.20	94.72	102.29
Sanitation			-	-	-	-	-	8.0%	-	-	-
Refuse removal			-	-	-	-	-	8.0%	-	-	-
Other											
sub-total		3.57	145.35	227.60	259.50	259.50	259.50	12.3%	291.47	474.07	519.57
VAT on Services		48.52	17.85	27.95	47.53	47.53	47.53		53.12	58.22	63.81
Total small household bill:		52.09	163.20	255.55	307.03	307.03	307.03	12.2%	344.59	532.29	583.38
% increase/-decrease			213.3%	56.6%	20.1%	-	-		12.2%	54.5%	9.6%

The following graph shows a comparison between a comprehensive account of Hessequa against other municipality's in the Western Cape. Information was obtained from the Treasury document SA14 of the various municipalities.

The following assumptions (which is the benchmark given by National Treasury) is applicable to the graph.

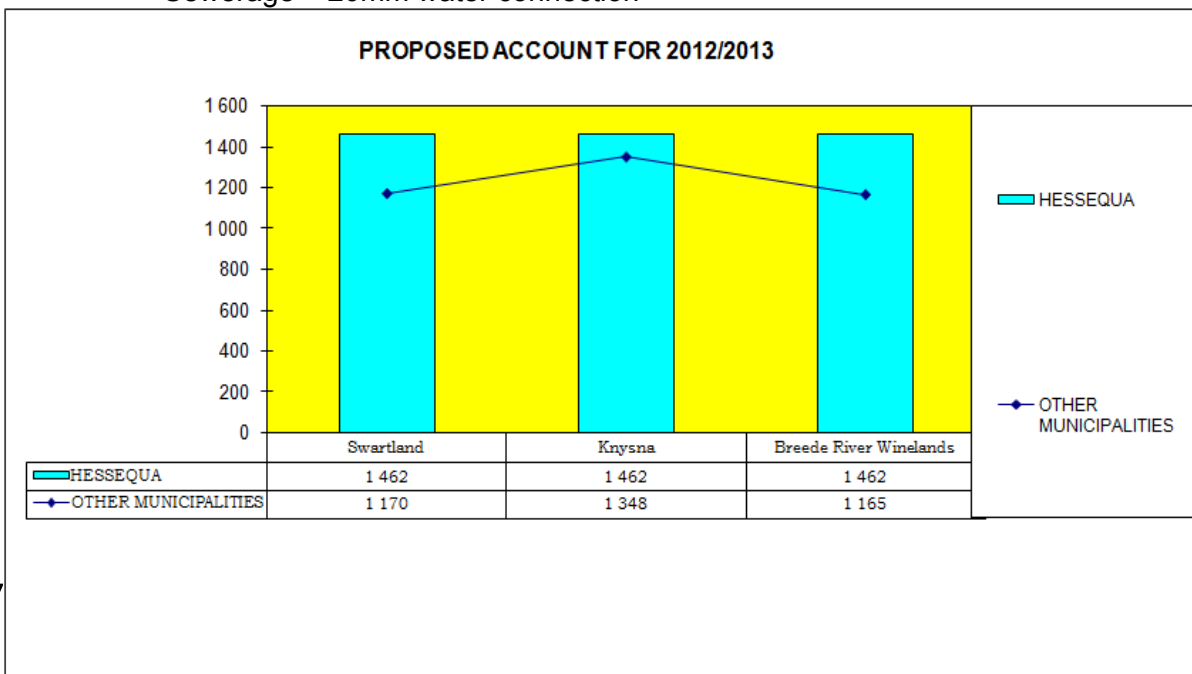
- Property Value = R700 000
- 60 Amp Electricity meter
- 1000Kwh usage

- 20 mm Water Connection
- 30 kl Water usage
- Refuse – one removal per week
- Sewerage – 20mm water connection

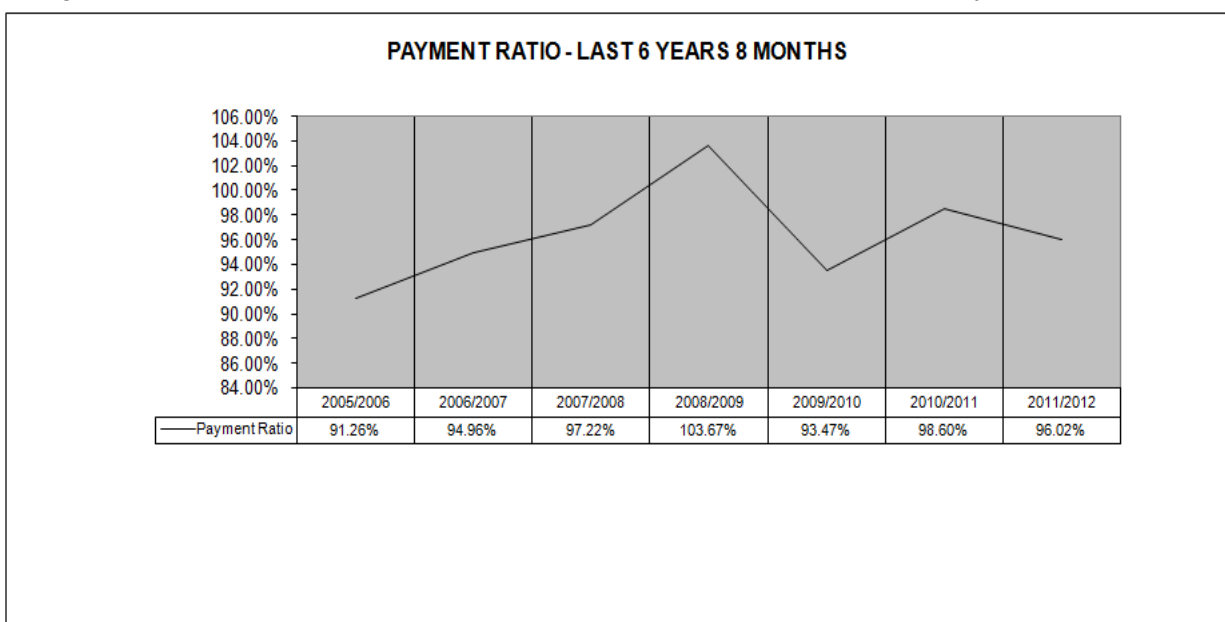


The following assumptions (which is the benchmark given by National Treasury) is applicable to the graph. It can be seen from the following table that the cheaper residence pays higher tariffs in Hessequa. This can be attributed to high basic fees. The revenue base of the municipality is seasonal, and ensures that it generates its revenue from fixed cost and consumption. This has a negative influence of the consumer who is a permanent resident.

- Property Value = R500 000
- 60 Amp Electricity meter
- 500Kwh usage
- 20 mm Water Connection
- 25 kl Water usage
- Refuse – one removal
- Sewerage – 20mm water connection



The following graph shows that council must credit control policy diligently. The MTREF budget indicates a collection of 'n 100%+ while the current collection is only 96%.



1.4.1 CAPITAL AND OPERATING

The expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the IDP.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 11 Summary of operating expenditure by standard classification item

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
Expenditure By Type									
Employee related costs	51,120	68,190	86,089	90,073	90,073	90,074	98,421	105,035	112,086
Remuneration of councillors	3,627	4,082	4,093	4,366	4,366	4,366	4,475	4,757	5,057
Debt impairment		2,106	3,393	2,635	2,635	2,635	3,089	3,275	3,471
Depreciation & asset impairment	9,665	14,131	15,598	16,476	16,476	16,476	17,741	19,699	21,956
Finance charges	3,815	4,260	5,601	7,617	7,617	7,617	9,414	10,448	11,656
Bulk purchases	27,700	35,858	44,874	56,268	56,268	56,268	63,667	72,048	81,544
Other materials									
Contracted services	696	799	3,172	3,389	3,389	3,389	4,210	4,375	4,541
Transfers and grants	5,300	6,764	8,893	9,737	9,737	9,737	12,753	13,516	14,316
Other expenditure	65,060	118,070	68,067	69,854	72,563	72,563	65,410	66,023	68,200
Loss on disposal of PPE									
Total Expenditure	166,984	254,260	239,781	260,415	263,124	263,125	279,180	299,176	322,827

The budgeted allocation for employee related costs for the 2012/13 financial year totals R98,421 million, which equals 35,25 per cent of the total operating expenditure. The

guidelines set by Council in October 2011, was the CPI + 2%, while circular 58 proposed a 5% increase. Given that the CPI is currently at 6,3%, a salary increase of 6,5% has been budgeted for. History has taught us that negotiations with the trade unions must still take place and that the percentage increase that was used is a realistic increase. New posts of ±R6,5 million have been cut. There were approximately 51 new posts on the budget but this has been pruned to 25 posts that have only been budgeted for 9 months. The temporally wages and overtime budget is the same as for 2011/12, and it must be ensured that these two votes are not overspend in 2012/13. Serious problems will arise if these two budget votes are not extremely well managed. Employee related cost thereby increases by 10,24% for the 2012/13 Budget year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account and provision has been made for a 6,5% increase in this remuneration in the 2012/13 budget year.

The provision of debt impairment was determined based on an annual collection rate of 97% and the Credit Control Policy of Hessequa. While this expenditure is considered to be a non-cash flow item, it informs the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R17,741 million for the 2012/13 financial year and equates to 6,35 per cent of the total operating expenditure.

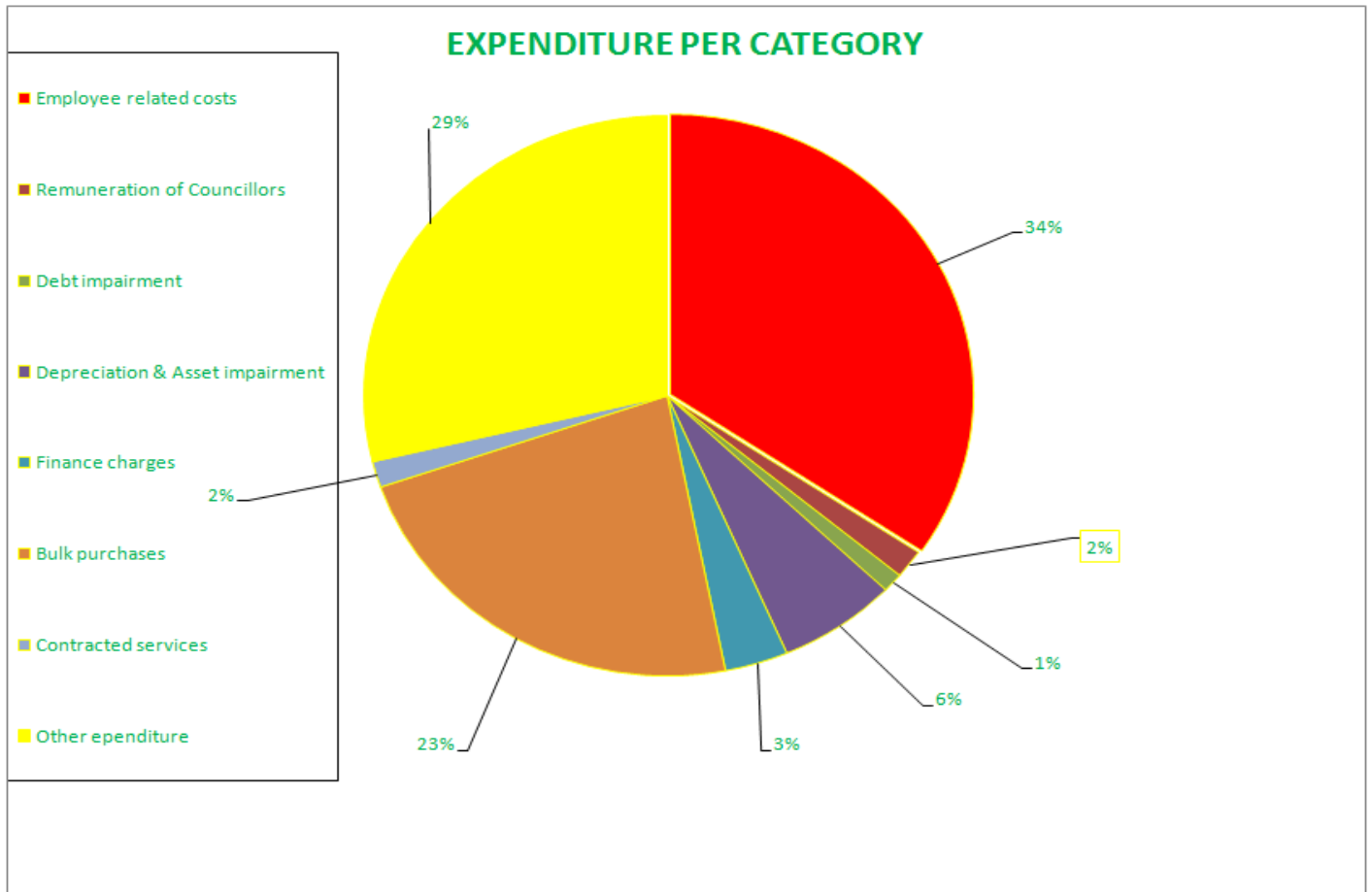
Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 3,37 per cent (R9,414 million) of operating expenditure. A much lower capital budget from own funds has been tabled for the 2012/13 year which will result in finance charges increasing in smaller increments.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Overberg Water Board. The annual price increases have been factored into the budget appropriations whereby electricity was increased with 13,5% as prescribed in the guideline on Municipal electricity price increase for 2012/13 by NERSA (9 March 2012).

Contracted services increases by 24,2% in the 2012/13 Budget year due to fire brigade (8% increase) and recycling of refuse (R600 000).

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Other expenditure decreases from R72,563 million in 2011/12 to R65,410 million in 2012/13 and capped at 9,3 and 3,3 per cent for the two outer years.

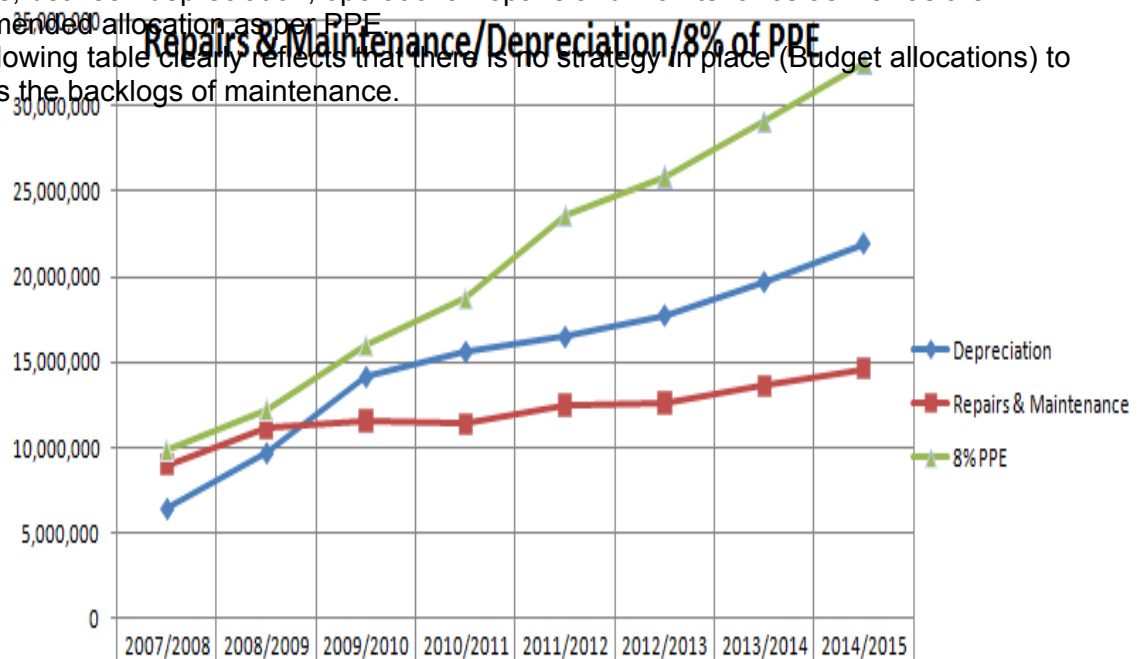
The following table gives a breakdown of the main expenditure categories for the 2012/13 financial year.



(FIGURE 1 MAIN OPERATIONAL EXPENDITURE CATEGORIES FOR THE 2012/13 FINANCIAL YEAR)

1.4.1.1 Priority given to repairs and maintenance

National treasury has recommended that allocation to repairs and maintenance should be 8% of PPE. Hessequa does not meet this recommendation. The following graft provides an analysis, between depreciation, operational repairs and maintenance as well as the recommended allocation as per PPE. The following table clearly reflects that there is no strategy in place (Budget allocations) to address the backlogs of maintenance.



(FIGURE 2 REPAIRS AND MAINTENANCE/DEPRECIATION)

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of Hessequa's infrastructure. Repairs and maintenance was substantially only increased by 0,4 per cent in the 2012/13 financial year owing to the cash flow challenges. Notwithstanding the small increase this strategic imperative remains a priority, as can be seen by the budget appropriations over the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 12 Repairs and maintenance per asset class

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
R thousand									
Depreciation & asset impairment	9,665	14,131	15,598	16,476	16,476	16,476	17,741	19,699	21,956
Repairs and Maintenance by Asset Class	11,125	11,372	12,476	12,908	12,662	12,662	12,585	13,600	14,618
Infrastructure - Road transport	2,456	2,329	2,781	2,030	2,030	2,030	2,306	2,141	2,252
Infrastructure - Electricity	1,716	1,717	1,439	1,389	1,432	1,432	1,468	1,570	1,670
Infrastructure - Water	414	473	634	367	367	367	448	482	517
Infrastructure - Sanitation	567	432	485	295	295	295	328	349	367
Infrastructure - Other	166	187	222	218	218	218	254	270	288
Infrastructure	5,320	5,138	5,562	4,298	4,341	4,341	4,805	4,811	5,094
Community	288	454	819	1,003	743	743	953	908	954
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	5,517	5,780	6,095	7,607	7,578	7,578	6,827	7,881	8,569
TOTAL OPERATING EXPENDITURE	20,790	25,503	28,074	29,383	29,138	29,138	30,326	33,299	36,574

For the 2012/13 financial year, 18,3% or R2,306 million toward Road Transport and 11,7% or R1,468 million towards Electricity was spend on infrastructure assets.

1.4.1.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Hessequa's Indigent Policy. The Policy has two qualifying income limitations where by residence can register. Category A is for residences who earn R3000 or less per month, and category B for residence who earn between R3001 – R3500 per month. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

The following graph shows the cost of free basic services, rate rebates, 6kl water and 50 kWH free units. (amount R'000)

WC042 Hessequa - Table A10 Basic service delivery measurement								
Description	Ref	2007/8	2008/9	2009/10	2011/12	2011/12 Medium Term Revenue &		
		Outcome	Outcome	Outcome	Adjusted Budget	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
	9							
Property rates (R15 000 threshold rebate)		3 122	3 436	3 695	3 283	3 578	4 008	4 408
Property rates (other exemptions, reductions and rebates)		665	919	992	1 084	1 306	1 376	1 476
Water		3 476	3 297	3 407	3 826	4 289	4 579	4 979
Sanitation		1 760	3 152	3 250	3 676	4 826	5 067	5 473
Electricity/other energy		1 588	1 583	1 710	2 055	2 406	2 149	2 364
Refuse		1 504	2 539	2 742	2 962	3 981	4 306	4 369
Other		307	307	307	132	309	325	351
Total revenue cost of free services provided (total social package)		12 422	15 233	16 103	17 018	20 695	21 810	23 420

1.4.2 Capital expenditure

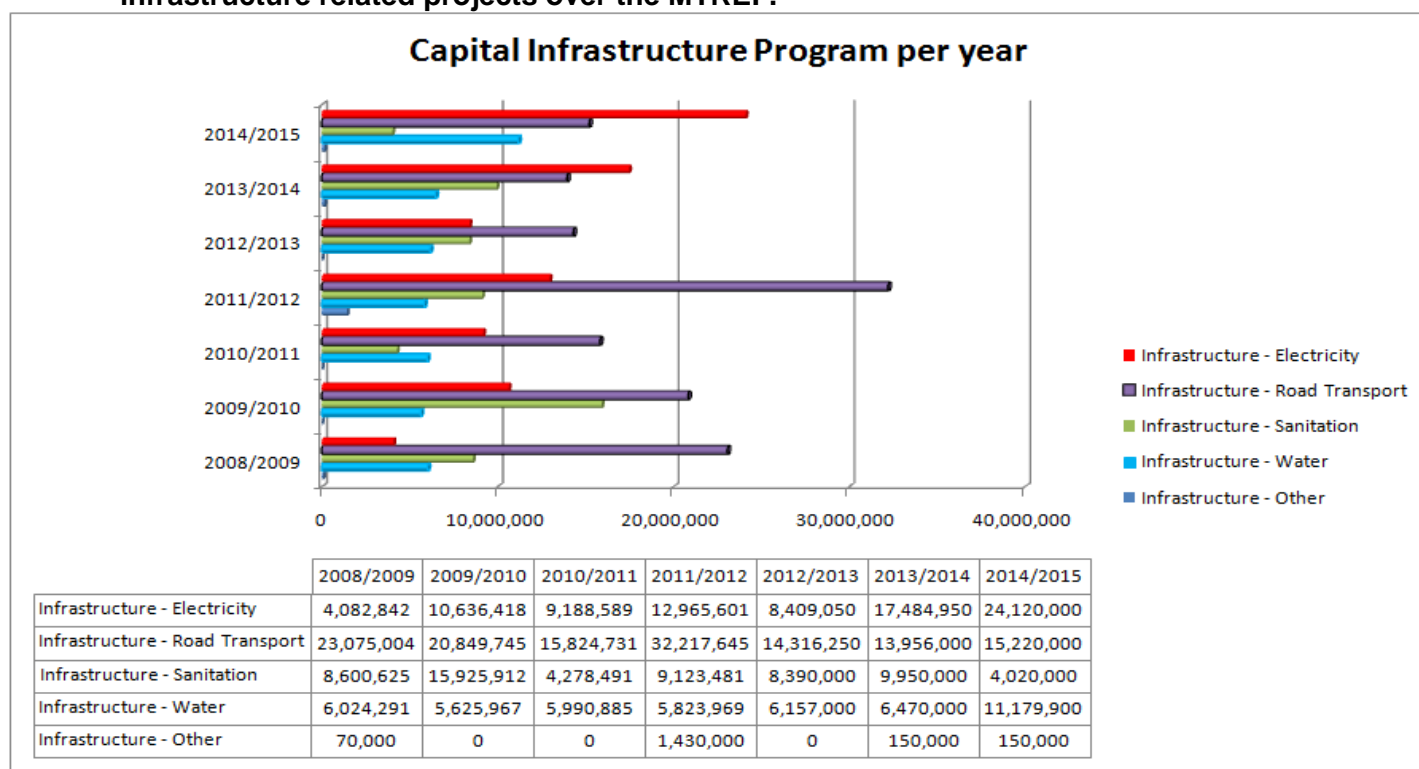
The following table provides a breakdown of budgeted capital expenditure by vote:

Table 13 2011/12 Medium-term capital budget per vote

Vote Description	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year 2013/14	%	Budget Year 2014/15	%
R thousand								
Capital Expenditure - Standard								
<i>Governance and administration</i>	3,306		2,878		1,238		1,021	
Executive and council	2	0.0%		0.0%		0.0%		0.0%
Budget and treasury office	235	0.3%	335	0.7%	282	0.5%	18	0.0%
Corporate services	3,070	4.3%	2,543	5.4%	957	1.6%	1,003	1.6%
<i>Community and public safety</i>	3,240		2,506		1,652		1,315	
Community and social services	561	0.8%	815	1.7%	670	1.1%	644	1.0%
Sport and recreation	2,229	3.1%	1,176	2.5%	642	1.1%	521	0.8%
Public safety	449	0.6%	514	1.1%	340	0.6%	150	0.2%
<i>Economic and environmental services</i>	34,259		16,567		19,023		18,825	
Planning and development								
Road transport	34,259	47.7%	16,567	35.3%	19,023	31.7%	18,325	28.3%
Environmental protection							500	0.8%
<i>Trading services</i>	30,962		24,936		38,160		43,483	
Electricity	13,482	18.8%	8,668	18.5%	18,389	30.6%	24,870	38.5%
Water	5,995	8.4%	7,142	15.2%	6,770	11.3%	11,243	17.4%
Waste water management	10,055	14.0%	9,126	19.5%	10,547	17.6%	4,718	7.3%
Waste management	1,430	2.0%		0.0%	2,455	4.1%	2,653	4.1%
<i>Other</i>								
Total Capital Expenditure - Standard	71,767	100.0%	46,886	100.0%	60,074	100.0%	64,643	100.0%

The total 2011/12 Capital Budget of R71,767 million decreases dramatically for 2012/13 to R46,886 million. This decrease has been necessitated due to a shortage of own capital financing within Hessequa. For the 2012/13 budget, round R37,272 million been budget for the development of infrastructure(79,5% of total Capital Budget) as opposed to the R61,561 million (85,8% of the total Capital Budget) for the 2011/12 Budget. In the outer years the Capital Budget for development for infrastructure increases to R48,010 million (+28,9%) in 2013/14 and R54,689 million in 2014/15. In 2012/13 transport and roads receives the highest allocation of R14,316 million followed by Electricity infrastructure with R8,409 million and then Sanitation with R8,390 million.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



(FIGURE 3 CAPITAL INFRASTRUCTURE PROGRAMME)

Further detail relating to asset classes and proposed capital expenditure is contained in Table 23 MBRR A9 (Asset Management).

Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Sewerage Works Phase 2 (Kwezi V3 report) Stillbay – R2,5million / Loan
- Upgrade of Sewerage Works Riversdale – R4million / MIG
- Upgrading of Sewerage Works Jongensfontein – R1million / MIG
- New Reservoir Albertinia – R2million / MIG
- New Reservoir Gouritsmond – R1million / MIG
- 250 Sub-economical Houses Slangrivier – R2million / Loan – DME
- Teerstrate Hessequa – R8,335 million / Loan – SRR
- Upgrading of Pavements Riversdale – R1million / EPW

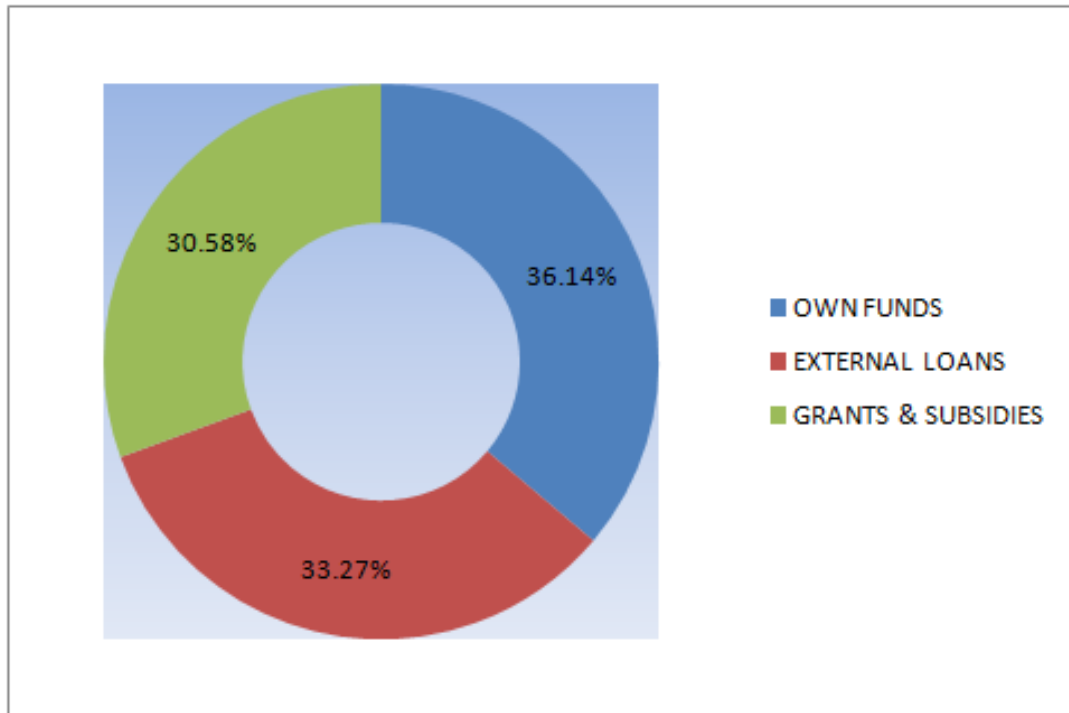
1.4.3 FINANCING OF CAPITAL

Own funding of the Capital programme decrease dramatically for the 2012/13 financial year. External Loan for 2012/13 will be R15,600 million and own funds (CRR) will be R16,946 million.

THE FINANCING OF CAPITAL BUDGET IS AS FOLLOWS:

R 000	2012/13	%	2013/14	2014/15
EXTERNAL LOANS	15,600	33	16,150	17,250
SUBSIDIES	14,340	31	13,826	18,868
PUBLIC CONTRABUTIONS	0	0	9,000	13,000
OWN FUNDS	16,946	36	21,098	15,526
TOTAL	46,886	100	60,074	64,644

THE FOLLOWING GRAPH SHOWS THE FUNDING SOURCES FOR THE 2012/13 FINANCIAL YEAR



1.5 Annual Budget Tables - Parent Municipality

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTRE.. Each table is accompanied by *explanatory notes* on the facing page.

Table 14 MBRR Table A1 - Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
Financial Performance									
Property rates	31,812	40,125	42,631	47,564	47,564	47,564	51,862	58,112	63,941
Service charges	84,249	100,438	118,221	134,031	134,032	134,031	150,519	168,849	186,865
Investment revenue	10,356	5,897	3,967	4,500	3,800	3,800	4,020	4,140	4,260
Transfers recognised - operational	43,424	99,895	48,481	48,761	53,778	53,778	50,608	46,189	49,623
Other own revenue	15,499	12,712	26,314	31,555	12,421	12,421	13,056	22,867	33,731
Total Revenue (excluding capital transfers and contributions)	185,340	259,067	239,615	266,411	251,594	251,594	270,065	300,157	338,420
Employee costs	51,120	68,190	86,089	90,073	90,073	90,074	98,421	105,035	112,086
Remuneration of councillors	3,627	4,082	4,093	4,366	4,366	4,366	4,475	4,757	5,057
Depreciation & asset impairment	9,665	14,131	15,598	16,476	16,476	16,476	17,741	19,699	21,956
Finance charges	3,815	4,260	5,601	7,617	7,617	7,617	9,414	10,448	11,656
Materials and bulk purchases	27,700	35,858	44,874	56,268	56,268	56,268	63,667	72,048	81,544
Transfers and grants	5,300	6,764	8,893	9,737	9,737	9,737	12,753	13,516	14,316
Other expenditure	65,757	120,975	74,632	75,878	78,587	78,587	72,709	73,673	76,212
Total Expenditure	166,984	254,260	239,781	260,415	263,124	263,125	279,180	299,176	322,827
Surplus/(Deficit)	18,356	4,807	(166)	5,996	(11,530)	(11,531)	(9,115)	981	15,593
Transfers recognised - capital	28,844	30,782	7,842	16,432	15,012	15,012	14,340	22,826	31,868
Contributions recognised - capital & contributed assets	3,205	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	50,405	35,589	7,676	22,428	3,482	3,481	5,225	23,807	47,461
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	50,405	35,589	7,676	22,428	3,482	3,481	5,225	23,807	47,461
Capital expenditure & funds sources									
Capital expenditure	369,675	61,557	51,724	68,122	71,767	71,767	46,886	60,074	64,643
Transfers recognised - capital	32,049	30,782	7,842	16,432	15,012	15,012	14,340	13,826	18,868
Public contributions & donations	-	-	-	-	-	-	-	9,000	13,000
Borrowing	9,478	14,808	22,023	25,000	25,000	25,000	15,600	16,150	17,250
Internally generated funds	328,148	15,967	21,859	26,690	31,755	31,755	16,946	21,098	15,526
Total sources of capital funds	369,675	61,557	51,724	68,122	71,767	71,767	46,886	60,074	64,643
Financial position									
Total current assets	124,507	95,680	101,528	71,337	55,724	55,724	35,505	30,088	49,437
Total non current assets	472,977	513,636	549,712	607,687	604,401	604,401	631,783	672,157	712,525
Total current liabilities	78,669	50,177	60,607	47,680	47,680	47,681	45,199	49,321	52,806
Total non current liabilities	57,597	68,321	92,139	110,472	110,472	110,472	114,890	121,917	130,688
Community wealth/Equity	461,217	490,818	498,443	520,872	501,973	501,973	507,199	531,006	578,467
Cash flows									
Net cash from (used) operating	61,748	15,072	24,796	19,914	18,961	18,961	25,055	41,779	57,888
Net cash from (used) investing	(51,229)	(60,666)	(39,928)	(47,970)	(70,040)	(70,040)	(44,123)	(48,374)	(42,324)
Net cash from (used) financing	4,003	12,078	26,358	18,606	16,315	16,315	5,568	5,761	7,530
Cash/cash equivalents at the year end	94,413	60,897	72,124	62,674	27,910	27,910	14,410	13,576	36,670
Cash backing/surplus reconciliation									
Cash and investments available	94,413	60,897	72,123	43,518	27,906	27,906	15,771	13,623	36,435
Application of cash and investments	227,354	36,811	56,954	27,139	21,855	21,855	17,080	11,338	20,169
Balance - surplus (shortfall)	(132,941)	24,086	15,170	16,379	6,050	6,051	(1,310)	2,285	16,265
Asset management									
Asset register summary (WDV)	119,233	43,093	43,450	43,450	43,816	43,816	43,816	43,816	43,816
Depreciation & asset impairment	9,665	14,131	15,598	16,476	16,476	16,476	17,741	19,699	21,956
Renewal of Existing Assets	21,748	22,044	17,389	41,832	42,497	42,497	17,378	21,907	17,202
Repairs and Maintenance	11,125	11,372	12,476	12,908	12,662	12,662	12,585	13,600	14,618
Free services									
Cost of Free Basic Services provided	694	882	953	1,043	1,043	1,043	1,254	1,342	1,432
Revenue cost of free services provided	11,757	14,568	15,438	17,018	17,018	17,018	20,243	21,810	23,420
Households below minimum service level									
Water:	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of Hessequa's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts to be approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus is positive over the MTREF period with the Budgeted Surplus for 2012/13 at R5,225 million.
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognized is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that Hessequa's cash flows decrease on an annual basis indicates that it is necessary that cash recourses must be found to finance the capital budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years Hessequa has been paying attention to managing this aspect of its finances, and consequently many of its obligations are cash-backed. However, the reconciliation reflects that Hessequa's cash backing/surplus reconciliation has decreased to a surplus of R6,051 million for 2011/12. The reconciliation shows a shortfall of R1.310 million for the 2012/13 financial year with improvements to R2,285 million in 2013/14 and R16,265 million in 2014/15. The improvement in the outer years are due to sale of land and must be insured that these transactions do occur..
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

Table 15 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
Revenue - Standard									
<i>Governance and administration</i>	61,317	69,513	83,321	80,517	79,818	79,818	89,500	98,413	107,945
Executive and council	15,613	17,720	21,935	23,770	23,678	23,678	29,114	31,359	34,420
Budget and treasury office	44,537	50,620	51,231	55,357	54,567	54,567	58,685	65,319	71,660
Corporate services	1,167	1,173	10,154	1,390	1,573	1,573	1,701	1,735	1,865
<i>Community and public safety</i>	28,146	82,209	30,199	30,522	32,128	32,128	34,226	28,560	30,432
Community and social services	1,159	1,307	987	1,057	2,613	2,613	4,557	616	663
Sport and recreation	6,081	5,869	6,919	6,991	6,991	6,991	7,870	8,562	9,418
Public safety	4,649	4,676	5,056	4,736	4,786	4,786	4,839	5,068	5,320
Housing	16,257	70,357	17,237	17,738	17,738	17,738	16,960	14,314	15,031
Health	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	27,493	14,599	9,559	24,415	7,152	7,152	6,155	12,464	24,087
Planning and development	4,882	1,430	4,545	21,108	2,360	2,360	1,980	11,064	21,076
Road transport	22,341	13,036	4,870	3,132	4,608	4,608	4,000	1,214	2,824
Environmental protection	270	133	144	175	183	183	175	186	187
<i>Trading services</i>	100,433	123,488	124,378	147,390	147,508	147,508	154,524	183,545	207,821
Electricity	51,893	67,501	80,089	93,826	91,602	91,602	95,372	116,128	134,762
Water	24,054	19,494	19,398	24,906	25,738	25,738	25,588	27,723	34,309
Waste water management	16,893	27,711	14,896	17,662	19,172	19,172	21,480	26,162	23,866
Waste management	7,592	8,782	9,995	10,996	10,996	10,996	12,084	13,532	14,884
<i>Other</i>	-	40	-	-	-	-	-	-	-
Total Revenue - Standard	217,388	289,849	247,457	282,844	266,606	266,606	284,405	322,982	370,285
Expenditure - Standard									
<i>Governance and administration</i>	42,441	52,526	62,184	63,018	62,933	62,933	71,366	76,270	78,702
Executive and council	19,971	22,836	34,259	28,336	28,363	28,363	31,678	34,182	34,392
Budget and treasury office	9,887	12,963	12,799	15,397	15,247	15,247	16,994	18,126	19,440
Corporate services	12,583	16,727	15,125	19,285	19,323	19,323	22,694	23,962	24,870
<i>Community and public safety</i>	33,341	91,509	43,237	48,154	48,228	48,228	49,024	48,744	51,675
Community and social services	4,719	4,970	5,597	6,875	6,848	6,848	7,216	7,731	8,074
Sport and recreation	7,594	9,905	11,839	13,431	13,489	13,489	14,790	15,791	16,791
Public safety	4,266	6,207	8,594	10,044	10,086	10,086	10,038	10,887	11,757
Housing	16,741	70,427	17,207	17,804	17,804	17,804	16,980	14,335	15,053
Health	21	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	20,267	25,140	31,766	34,041	33,898	33,898	36,989	40,343	44,287
Planning and development	3,092	3,310	5,316	5,556	5,497	5,497	6,112	6,421	6,754
Road transport	15,128	20,332	25,401	27,514	27,525	27,525	29,490	32,623	36,240
Environmental protection	2,048	1,498	1,049	971	877	877	1,387	1,299	1,293
<i>Trading services</i>	68,971	82,906	101,378	113,669	116,532	116,532	119,723	131,654	145,970
Electricity	38,845	51,196	66,082	75,476	75,348	75,348	78,541	87,898	98,723
Water	15,372	14,102	14,735	16,481	19,308	19,308	18,385	19,780	21,323
Waste water management	8,359	10,408	11,287	11,810	12,090	12,090	12,892	13,977	15,418
Waste management	6,395	7,200	9,275	9,902	9,786	9,786	9,905	9,999	10,506
<i>Other</i>	1,963	2,180	1,216	1,534	1,534	1,534	2,080	2,164	2,193
Total Expenditure - Standard	166,983	254,261	239,781	260,416	263,126	263,126	279,182	299,175	322,827
Surplus/(Deficit) for the year	50,405	35,588	7,676	22,428	3,481	3,481	5,223	23,807	47,458

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 14 functional areas (Health is not a Municipal function anymore).
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water and Waste management function.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

Table 16 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
Revenue by Vote									
Vote 1 - Executive & Council	15,613	17,720	21,935	23,770	23,678	23,678	29,114	31,359	34,420
Vote 2 - Finance & Admin	45,954	51,848	61,385	56,796	56,140	56,140	60,386	67,055	73,525
Vote 3 - Planning & Development	4,882	1,430	4,545	21,108	2,360	2,360	1,980	11,064	21,076
Vote 4 - Community & Social Services	909	1,252	987	1,008	2,615	2,615	4,557	616	663
Vote 5 - Housing	16,257	70,357	17,237	17,738	17,738	17,738	16,960	14,314	15,031
Vote 6 - Public Safety	4,649	4,676	5,056	4,736	4,786	4,786	4,839	5,068	5,320
Vote 7 - Sport & Recreation	6,081	5,869	6,919	6,990	6,990	6,990	7,870	8,562	9,419
Vote 8 - Environmental Protection	270	133	144	175	183	183	175	186	187
Vote 9 - Waste Management	7,592	8,782	9,995	10,996	10,996	10,996	12,084	13,532	14,884
Vote 10 - Waste Water Management (Sewerage)	16,893	27,711	14,896	17,662	19,172	19,172	21,480	26,162	23,866
Vote 11 - Road Transport	22,341	13,036	4,870	3,132	4,608	4,608	4,001	1,214	2,824
Vote 12 - Water	24,054	19,494	19,398	24,906	25,738	25,738	25,588	27,723	34,309
Vote 13 - Electricity	51,893	67,501	80,089	93,826	91,602	91,602	95,372	116,128	134,762
Vote 14 - Tourism	–	40	–	–	–	–	–	–	–
Vote 15 - Health	–	–	–	–	–	–	–	–	–
Total Revenue by Vote	217,388	289,849	247,457	282,843	266,606	266,606	284,406	322,983	370,286
Expenditure by Vote to be appropriated									
Vote 1 - Executive & Council	19,511	22,836	34,259	28,336	28,363	28,363	31,677	34,182	34,392
Vote 2 - Finance & Admin	22,930	29,690	27,925	34,682	34,571	34,571	39,687	42,087	44,311
Vote 3 - Planning & Development	3,092	3,310	5,316	5,555	5,495	5,495	6,112	6,421	6,755
Vote 4 - Community & Social Services	4,057	4,970	5,597	6,875	6,848	6,848	7,216	7,731	8,074
Vote 5 - Housing	16,741	70,427	17,207	17,804	17,804	17,804	16,980	14,335	15,053
Vote 6 - Public Safety	4,266	6,207	8,594	10,044	10,086	10,086	10,038	10,887	11,757
Vote 7 - Sport & Recreation	7,594	9,905	11,839	13,431	13,490	13,490	14,791	15,792	16,791
Vote 8 - Environmental Protection	2,048	1,498	1,049	971	877	877	1,387	1,299	1,293
Vote 9 - Waste Management	6,395	7,200	9,275	9,902	9,867	9,867	9,905	9,999	10,506
Vote 10 - Waste Water Management (Sewerage)	8,359	10,408	11,287	11,810	12,009	12,009	12,892	13,977	15,418
Vote 11 - Road Transport	15,128	20,332	25,401	27,514	27,525	27,525	29,490	32,623	36,240
Vote 12 - Water	15,372	14,102	14,735	16,481	19,308	19,308	18,385	19,780	21,323
Vote 13 - Electricity	39,507	51,196	66,082	75,476	75,349	75,349	78,541	87,898	98,723
Vote 14 - Tourism	1,963	2,180	1,216	1,534	1,534	1,534	2,080	2,164	2,193
Vote 15 - Health	21	–	–	–	–	–	–	–	–
Total Expenditure by Vote	166,983	254,261	239,781	260,415	263,126	263,126	279,181	299,175	322,829
Surplus/(Deficit) for the year	50,405	35,588	7,676	22,428	3,481	3,481	5,225	23,808	47,457

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of Hessequa. This means it is possible to present the operating surplus or deficit of a vote.

Table 17 Surplus/(Deficit) calculations for the trading services

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
Electricity									
Total Revenue (incl capital grants and tran	51,893	67,501	80,089	93,826	91,602	91,602	95,372	116,128	134,762
Operating Expenditure	39,507	51,196	66,082	75,476	75,349	75,349	78,541	87,898	98,723
Surplus/(Deficit) for the year	12,386	16,305	14,008	18,350	16,253	16,253	16,831	28,230	36,039
Percentage Surplus/(Deficit)	23.9%	24.2%	17.5%	19.6%	17.7%	17.7%	17.6%	24.3%	26.7%
Water									
Total Revenue (incl capital grants and tran	24,054	19,494	19,398	24,906	25,738	25,738	25,588	27,723	34,309
Operating Expenditure	15,372	14,102	14,735	16,481	19,308	19,308	18,385	19,780	21,323
Surplus/(Deficit) for the year	8,682	5,392	4,663	8,425	6,430	6,430	7,203	7,943	12,986
Percentage Surplus/(Deficit)	36.1%	27.7%	24.0%	33.8%	25.0%	25.0%	28.1%	28.7%	37.9%
Sewerage									
Total Revenue (incl capital grants and tran	16,893	27,711	14,896	17,662	19,172	19,172	21,480	26,162	23,866
Operating Expenditure	8,359	10,408	11,287	11,810	12,009	12,009	12,892	13,977	15,418
Surplus/(Deficit) for the year	8,534	17,303	3,609	5,852	7,163	7,163	8,588	12,185	8,448
Percentage Surplus/(Deficit)	50.5%	62.4%	24.2%	33.1%	37.4%	37.4%	40.0%	46.6%	35.4%
Refuse									
Total Revenue (incl capital grants and tran	7,592	8,782	9,995	10,996	10,996	10,996	12,084	13,532	14,884
Operating Expenditure	6,395	7,200	9,275	9,902	9,867	9,867	9,905	9,999	10,506
Surplus/(Deficit) for the year	1,198	1,582	720	1,094	1,129	1,129	2,179	3,533	4,378
Percentage Surplus/(Deficit)	15.8%	18.0%	7.2%	9.9%	10.3%	10.3%	18.0%	26.1%	29.4%

1. The above table is an analysis of the surplus or deficit for the Electricity, Water, Sewerage and Refuse services.
2. The electricity trading surplus has increases from 2011/12 (R16,253 million) to 2012/13 (R16,83 million) and the two outer years increases to R28,230 million for 2013/14 and R36,039 million for 2014/15.
3. The water trading surplus has increased from 2011/12 (R6,430 million) to 2012/13 (R7,203 million) and the two outer years increases to R7,943 million for 2013/14 and R12,986 million for 2014/15.
4. The Sewerage surplus has increased from 2011/12 (R7,163 million) to 2012/13 (R8,588 million) and the two outer years increases to R12,185 million for 2013/14 and R8,448 million for 2014/15.
5. The Refuse surplus has increased from 2011/12 (R1,129 million) to 2012/13 (R2,179 million) and the two outer years increases to R3,533 million for 2013/14 and R4,378 million for 2014/15.
6. All the surpluses of the above trading services are used to cross subsidize the municipal rates service.

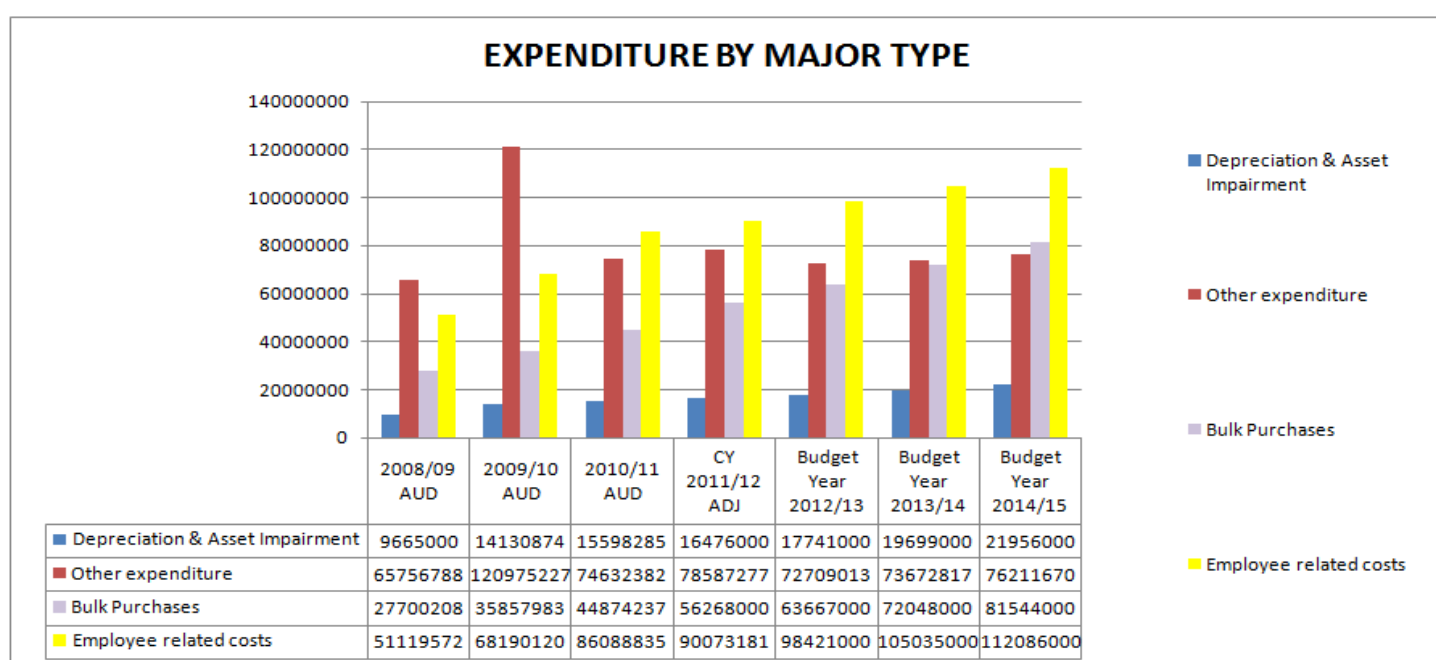
Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
Revenue By Source									
Property rates	31,812	40,125	42,631	47,564	47,564	47,564	51,862	58,112	63,941
Property rates - penalties & collection charges				–	–	–			
Service charges - electricity revenue	44,539	60,604	73,194	85,139	85,139	85,139	93,771	105,377	117,043
Service charges - water revenue	13,673	13,834	16,707	18,275	18,275	18,275	22,108	24,788	27,268
Service charges - sanitation revenue	13,349	12,263	13,688	14,662	14,662	14,662	17,094	19,144	21,059
Service charges - refuse revenue	7,509	8,709	9,781	10,932	10,932	10,932	12,021	13,463	14,810
Service charges - other	5,179	5,027	4,851	5,023	5,023	5,023	5,525	6,077	6,685
Rental of facilities and equipment	2,993	3,168	3,585	3,539	3,539	3,539	4,045	4,302	4,678
Interest earned - external investments	10,356	5,897	3,967	4,500	3,800	3,800	4,020	4,140	4,260
Interest earned - outstanding debtors	1,419	1,040	1,063	1,081	1,081	1,081	1,353	1,518	1,669
Dividends received					–	–			
Fines	2,612	2,569	2,633	2,446	2,446	2,446	2,500	2,686	2,894
Licences and permits	212	205	294	273	273	273	277	298	309
Agency services	1,147	1,199	1,221	1,215	1,215	1,215	1,248	1,266	1,284
Transfers recognised - operational	43,424	99,895	48,481	48,761	53,778	53,778	50,608	46,189	49,623
Other revenue	6,537	3,906	14,296	2,851	2,717	2,717	2,633	2,797	2,897
Gains on disposal of PPE	579	625	3,223	20,150	1,150	1,150	1,000	10,000	20,000
Total Revenue (excluding capital transfers and contributions)	185,340	259,067	239,615	266,411	251,594	251,594	270,065	300,157	338,420
Expenditure By Type									
Employee related costs	51,120	68,190	86,089	90,073	90,073	90,074	98,421	105,035	112,086
Remuneration of councillors	3,627	4,082	4,093	4,366	4,366	4,366	4,475	4,757	5,057
Debt impairment		2,106	3,393	2,635	2,635	2,635	3,089	3,275	3,471
Depreciation & asset impairment	9,665	14,131	15,598	16,476	16,476	16,476	17,741	19,699	21,956
Finance charges	3,815	4,260	5,601	7,617	7,617	7,617	9,414	10,448	11,656
Bulk purchases	27,700	35,858	44,874	56,268	56,268	56,268	63,667	72,048	81,544
Other materials									
Contracted services	696	799	3,172	3,389	3,389	3,389	4,210	4,375	4,541
Transfers and grants	5,300	6,764	8,893	9,737	9,737	9,737	12,753	13,516	14,316
Other expenditure	65,060	118,070	68,067	69,854	72,563	72,563	65,410	66,023	68,200
Loss on disposal of PPE									
Total Expenditure	166,984	254,260	239,781	260,415	263,124	263,125	279,180	299,176	322,827
Surplus/(Deficit)	18,356	4,807	(166)	5,996	(11,530)	(11,531)	(9,115)	981	15,593
Transfers recognised - capital	28,844	30,782	7,842	16,432	15,012	15,012	14,340	22,826	31,868
Contributions recognised - capital	3,205	–	–	–	–	–	–	–	–
Contributed assets									
Surplus/(Deficit) after capital transfers & contributions	50,405	35,589	7,676	22,428	3,482	3,481	5,225	23,807	47,461
Taxation									
Surplus/(Deficit) after taxation	50,405	35,589	7,676	22,428	3,482	3,481	5,225	23,807	47,461
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	50,405	35,589	7,676	22,428	3,482	3,481	5,225	23,807	47,461
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	50,405	35,589	7,676	22,428	3,482	3,481	5,225	23,807	47,461

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R270,065 million in 2012/13 and escalates to R300,157 by 2013/14 and R338,420 million by 2014/15. This represents a year-on-year increase of 11,1% for the 2013/14 financial year and 12,7% for the 2014/15 financial year. The increase for the 2011/12 year to year for 2012/13 represents a 7,3% increase.
2. Revenue to be generated from property rates increase with 9% from 2011/12 financial year (R47,564 million) to R51,862 million in 2012/13. This revenue base remains a significant funding source for Hessequa.

3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of Hessequa totaling R144,994 million for the 2012/13. For the 2012/13 financial year service charges amounts to 53,38% of the total revenue base.
 - Electricity – R85,139 million (2011/12) to R93,771 million (2012/13) = 10,1% increase
 - Water – R18,275 million (2011/12) to R22,108 million (2012/13) = 21% increase
 - Sanitation – R14,662 million (2011/12) to R17,094 million (2012/13) = 16,6% increase
 - Refuse – R10,932 million (2011/12) to R12,021 million (2012/13) = 10% increase
4. Transfers recognized – operating, includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are decreasing slowly over the MTREF.
5. The following graph illustrates the major expenditure items per type.



(FIGURE 3 EXPENDITURE BY MAJOR TYPE)

6. Employee related cost increases with 9,3% from adjusted budget 2011/12 to the 2012/13 budget. The outer two years increases with 6,7% in each year. The increase of 9,3% is due to the provision of a 6,5% salary increase and 25 new posts admitted to the budget.
7. Depreciation and Asset Impairment increase with 7,7% from adjusted budget 2011/12 to the 2012/13 budget. The outer two years increases with 11,0% (2013/14) and 11,5% (2014/2015). The increases are due to the yearly capital programme.
8. Bulk purchases increase with 13,1% from adjusted budget 2011/12 to the 2012/13 budget. The outer two years increases with 13,2% in each year. The increase of 13,1% can be contributed to bulk purchase increase price or 13,5%.
9. Other Expenditure decrease with 7,4% from adjusted budget 2011/12 to the 2012/13 budget. The outer two years increases with 1,3% (2013/14) and 3,4% (2014/15). The decrease of 7,4% are due to less operational grants for 2012/13.

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
Capital expenditure - Vote									
Multi-year expenditure, to be appropriated									
Vote 1 - Executive & Council	24	21	4	2	2	2	—	—	—
Vote 2 - Finance & Admin	321,132	2,231	10,452	3,085	3,305	3,305	2,878	1,238	1,021
Vote 3 - Planning & Development	149	15	—	—	—	—	—	—	—
Vote 4 - Community & Social Services	524	603	293	518	561	561	815	670	644
Vote 5 - Housing	—	—	24	—	—	—	—	—	—
Vote 6 - Public Safety	31	416	1,226	528	449	449	514	340	150
Vote 7 - Sport & Recreation	2,011	1,758	1,397	2,062	2,229	2,229	1,176	642	521
Vote 8 - Environmental Protection	38	14	—	—	—	—	—	—	500
Vote 9 - Waste Management	1,021	—	590	1,500	1,430	1,430	—	2,455	2,653
Vote 10 - Waste Water Management (Sewerage)	9,035	16,629	3,896	8,678	10,055	10,055	9,126	10,547	4,718
Vote 11 - Road Transport	24,324	23,235	20,027	28,020	34,259	34,259	16,567	19,023	18,325
Vote 12 - Water	6,454	5,659	4,032	7,987	5,995	5,995	7,142	6,770	11,243
Vote 13 - Electricity	4,883	10,959	9,784	15,742	13,482	13,482	8,668	18,389	24,870
Vote 14 - Tourism	50	17	—	—	—	—	—	—	—
Vote 15 - Health	—	—	—	—	—	—	—	—	—
Capital multi-year expenditure sub-total	369,675	61,557	51,724	68,122	71,767	71,767	46,886	60,074	64,643
Single-year expenditure, to be appropriated									
Vote 1 - Executive & Council	—	—	—	—	—	—	—	—	—
Vote 2 - Finance & Admin	—	—	—	—	—	—	—	—	—
Vote 3 - Planning & Development	—	—	—	—	—	—	—	—	—
Vote 4 - Community & Social Services	—	—	—	—	—	—	—	—	—
Vote 5 - Housing	—	—	—	—	—	—	—	—	—
Vote 6 - Public Safety	—	—	—	—	—	—	—	—	—
Vote 7 - Sport & Recreation	—	—	—	—	—	—	—	—	—
Vote 8 - Environmental Protection	—	—	—	—	—	—	—	—	—
Vote 9 - Waste Management	—	—	—	—	—	—	—	—	—
Vote 10 - Waste Water Management (Sewerage)	—	—	—	—	—	—	—	—	—
Vote 11 - Road Transport	—	—	—	—	—	—	—	—	—
Vote 12 - Water	—	—	—	—	—	—	—	—	—
Vote 13 - Electricity	—	—	—	—	—	—	—	—	—
Vote 14 - Tourism	—	—	—	—	—	—	—	—	—
Vote 15 - Health	—	—	—	—	—	—	—	—	—
Capital single-year expenditure sub-total	—	—	—	—	—	—	—	—	—
Total Capital Expenditure - Vote	369,675	61,557	51,724	68,122	71,767	71,767	46,886	60,074	64,643
Capital Expenditure - Standard									
Governance and administration	321,156	2,251	10,456	3,087	3,306	3,306	2,878	1,238	1,021
Executive and council	24	21	4	2	2	2	—	—	—
Budget and treasury office	321,132	2,230	206	308	235	235	335	282	18
Corporate services	—	—	10,246	2,777	3,070	3,070	2,543	957	1,003
Community and public safety	2,566	2,776	2,940	3,107	3,240	3,240	2,506	1,652	1,315
Community and social services	524	603	293	518	561	561	815	670	644
Sport and recreation	2,011	1,757	1,397	2,062	2,229	2,229	1,176	642	521
Public safety	31	416	1,226	527	449	449	514	340	150
Housing	—	—	24	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—
Economic and environmental services	24,511	23,264	20,027	28,020	34,259	34,259	16,567	19,023	18,825
Planning and development	149	15	—	—	—	—	—	—	—
Road transport	24,324	23,235	20,027	28,020	34,259	34,259	16,567	19,023	18,325
Environmental protection	38	14	—	—	—	—	—	—	500
Trading services	21,393	33,249	18,302	33,908	30,962	30,962	24,936	38,160	43,483
Electricity	4,883	10,961	9,784	15,743	13,482	13,482	8,668	18,389	24,870
Water	6,454	5,659	4,032	7,987	5,995	5,995	7,142	6,770	11,243
Waste water management	9,035	16,629	3,896	8,678	10,055	10,055	9,126	10,547	4,718
Waste management	1,021	—	590	1,500	1,430	1,430	—	2,455	2,653
Other	50	17	—	—	—	—	—	—	—
Total Capital Expenditure - Standard	369,675	61,557	51,724	68,122	71,767	71,767	46,886	60,074	64,643
Funded by:									
National Government	26,000	28,794	6,742	14,337	13,447	13,447	13,159	13,826	18,868
Provincial Government	2,762	1,713	110	2,095	1,565	1,565	1,181	—	—
District Municipality	81	275	990	—	—	—	—	—	—
Other transfers and grants	3,205	—	—	—	—	—	—	—	—
Transfers recognised - capital	32,049	30,782	7,842	16,432	15,012	15,012	14,340	13,826	18,868
Public contributions & donations	—	—	—	—	—	—	—	9,000	13,000
Borrowing	9,478	14,808	22,023	25,000	25,000	25,000	15,600	16,150	17,250
Internally generated funds	328,148	15,967	21,859	26,690	31,755	31,755	16,946	21,098	15,526
Total Capital Funding	369,675	61,557	51,724	68,122	71,767	71,767	46,886	60,074	64,643

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. The total 2011/12 Capital Budget of R71,767 million decreases dramatically for 2012/13 to R46,886 million. The decrease is because of a shortage of own capital financing within Hessequa. In the outer years the Capital Budget increases to R60,074 million (28,1%) in 2013/14 and R64,643 million in 2014/15 (7,6%).
4. The highest allocation for 2012/13 are as follows:
 - Road Transport – R16.567 million
 - Sewerage – R9.126 million
 - Electricity – R8,668 million
 - Water – R7,142 million
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds. The Capital programme for 2012/13 is funded as follows:
 - Internally generated funds (CRR) – R16,946 million
 - External Loans – R15,6 million
 - Grants and Transfers – R14,340 million

Table 20 MBRR Table A6 - Budgeted Financial Position

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
ASSETS									
Current assets									
Cash	4	6		1,800	1,800	1,800	1,800	1,800	1,800
Call investment deposits	105,540	62,440	72,123	41,718	26,106	26,106	13,971	11,823	34,635
Consumer debtors	14,006	28,573	25,603	26,600	26,600	26,600	18,511	15,236	11,765
Other debtors	4,022	3,764	2,982	382	382	382	382	382	382
Current portion of long-term receivables	179	2	2	2	2	2	2	2	2
Inventory	756	896	818	835	835	835	840	845	853
Total current assets	124,507	95,680	101,528	71,337	55,724	55,724	35,505	30,088	49,437
Non current assets									
Long-term receivables	29	28	26	31	24	24	23	21	19
Investments									
Investment property	119,233	43,093	43,450	43,450	43,450	43,450	43,450	43,450	43,450
Investment in Associate									
Property, plant and equipment	353,715	470,515	506,235	564,206	560,561	560,561	587,945	628,320	668,689
Agricultural									
Biological									
Intangible					366	366	366	366	366
Other non-current assets									
Total non current assets	472,977	513,636	549,712	607,687	604,401	604,401	631,783	672,157	712,525
TOTAL ASSETS	597,483	609,316	651,240	679,024	660,125	660,125	667,288	702,244	761,962
LIABILITIES									
Current liabilities									
Bank overdraft	11,132	1,549							
Borrowing	4,454	5,804	8,248	8,248	8,248	8,248	10,087	9,775	9,775
Consumer deposits	3,054	3,120	3,253	3,309	3,309	3,310	3,363	3,418	3,473
Trade and other payables	55,859	33,394	41,314	27,259	27,259	27,259	21,762	24,754	26,553
Provisions	4,170	6,311	7,793	8,864	8,864	8,864	9,987	11,374	13,004
Total current liabilities	78,669	50,177	60,607	47,680	47,680	47,681	45,199	49,321	52,806
Non current liabilities									
Borrowing	33,117	42,117	56,356	73,108	73,108	73,108	76,782	82,800	90,275
Provisions	24,480	26,203	35,783	37,364	37,364	37,364	38,108	39,116	40,413
Total non current liabilities	57,597	68,321	92,139	110,472	110,472	110,472	114,890	121,917	130,688
TOTAL LIABILITIES	136,266	118,498	152,746	158,152	158,152	158,153	160,090	171,238	183,494
NET ASSETS	461,217	490,818	498,493	520,872	501,973	501,973	507,199	531,006	578,467
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	271,340	457,890	455,508	494,627	480,793	480,793	492,965	527,870	571,857
Reserves	189,877	32,928	42,935	26,245	21,180	21,180	14,234	3,136	6,610
Minorities' interests									
TOTAL COMMUNITY WEALTH/EQUITY	461,217	490,818	498,443	520,872	501,973	501,973	507,199	531,006	578,467

Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- SA 3 of Budget returns is by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	133,347	139,194	175,482	188,370	189,853	189,853	214,437	253,826	282,536
Government - operating	43,423	97,743	50,165	49,005	53,778	53,778	50,608	46,189	49,623
Government - capital	28,844	30,782	7,842	16,432	15,012	15,012	14,340	13,826	18,868
Interest	11,775	6,938	5,031	5,040	4,331	4,331	4,020	4,140	4,260
Dividends									
Payments									
Suppliers and employees	(151,826)	(255,325)	(208,123)	(231,315)	(236,396)	(236,396)	(248,936)	(265,754)	(285,743)
Finance charges	(3,815)	(4,260)	(5,601)	(7,617)	(7,617)	(7,617)	(9,414)	(10,448)	(11,656)
Transfers and Grants									
NET CASH FROM/(USED) OPERATING ACTIVITIES	61,748	15,072	24,796	19,914	18,961	18,961	25,055	41,779	57,888
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	579	712	3,225	20,150	1,150	1,150	1,000	10,000	20,000
Decrease (increase) in non-current debtors	242	198	(8)	2	2	2	2	2	2
Decrease (increase) other non-current receivables					(25)	(25)			
Decrease (increase) in non-current investments									
Payments									
Capital assets	(52,050)	(61,577)	(43,144)	(68,122)	(71,167)	(71,167)	(45,125)	(58,376)	(62,326)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(51,229)	(60,666)	(39,928)	(47,970)	(70,040)	(70,040)	(44,123)	(48,374)	(42,324)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans									
Borrowing long term/refinancing	3,869	12,012	26,224	25,000	25,000	25,000	15,600	16,150	17,250
Increase (decrease) in consumer deposits	135	66	134	56	56	56	55	55	55
Payments									
Repayment of borrowing				(6,450)	(8,741)	(8,741)	(10,087)	(10,444)	(9,775)
NET CASH FROM/(USED) FINANCING ACTIVITIES	4,003	12,078	26,358	18,606	16,315	16,315	5,568	5,761	7,530
NET INCREASE/ (DECREASE) IN CASH HELD	14,522	(33,516)	11,226	(9,450)	(34,764)	(34,764)	(13,500)	(834)	23,094
Cash/cash equivalents at the year begin:	79,891	94,413	60,897	72,123	62,674	62,674	27,910	14,410	13,576
Cash/cash equivalents at the year end:	94,413	60,897	72,124	62,674	27,910	27,910	14,410	13,576	36,670

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of Hessequa for the approved budget 2011/12 constituted in a net decrease in cash held of R9,450 million and a net cash equivalent totaled of R62,67 million by 30 June 2012.
4. As part of the 2011/12 mid-year review and the adjustments budget the net decrease in cash held became R34,764 million and a net cash equivalent totaled of R27,910 million by 30 June 2012.
5. This draft budget for 2012/13 reflects a net decrease in cash held of R13,5 million, with a net cash equivalent totaled of R14,410 million by 30 June 2013.
6. The two outer years show a slight improvement in the cash equivalent at year end.

7. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
Cash and investments available									
Cash/cash equivalents at the year end	94,413	60,897	72,124	62,674	27,910	27,910	14,410	13,576	36,670
Other current investments > 90 days	(0)	(0)	(0)	(19,156)	(5)	(4)	1,361	47	(235)
Non current assets - Investments	-	-	-	-	-	-	-	-	-
Cash and investments available:	94,413	60,897	72,123	43,518	27,906	27,906	15,771	13,623	36,435
Application of cash and investments									
Unspent conditional transfers	27,196	9,921	6,925	3,000	3,000	3,000	200	200	200
Unspent borrowing	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	-	-	-	-	-	-	-
Other working capital requirements	10,281	(6,038)	7,093	(2,106)	(2,325)	(2,325)	2,646	8,002	13,359
Other provisions	-	-	-	-	-	-	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	189,877	32,928	42,935	26,245	21,180	21,180	14,234	3,136	6,610
Total Application of cash and investments:	227,354	36,811	56,954	27,139	21,855	21,855	17,080	11,338	20,169
Surplus(shortfall)	(132,941)	24,086	15,170	16,379	6,050	6,051	(1,310)	2,285	16,265

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. From the table it can be seen that for the period 2009/10 to 2011/12 the surplus deteriorated from R24,086 million(2009/10) to R6,050 million(2011/12).
5. This Concept Budgets for 2012/13 shows a shortfall of R1,310 million with a improvement in the outer years to a surplus of R2,285 million in 2013/14 and R16.265 million in 2014/15.

Table 23 MBRR Table A9 - Asset Management

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
R thousand									
CAPITAL EXPENDITURE									
Total New Assets	347,927	39,514	34,335	26,290	29,269	29,269	29,508	38,167	47,441
Infrastructure - Road transport	6,200	3,963	12,537	5,916	7,212	7,212	7,900	5,716	7,000
Infrastructure - Electricity	2,643	9,189	2,006	7,690	5,366	5,366	2,759	12,025	19,400
Infrastructure - Water	5,610	5,153	3,891	6,681	4,727	4,727	3,900	3,900	8,813
Infrastructure - Sanitation	8,034	15,494	2,591	2,130	6,640	6,640	6,595	5,130	3,230
Infrastructure - Other	70	-	-	-	-	-	-	150	150
Infrastructure	22,556	33,800	21,025	22,417	23,945	23,945	21,154	26,921	38,593
Community	2,101	371	-	1,020	1,477	1,477	1,424	724	1,230
Heritage assets	-	-	8,326	-	-	-	-	-	-
Investment properties	-	-	-	-	350	350	700	-	-
Other assets	322,870	5,343	4,984	2,853	3,497	3,497	6,230	10,522	7,619
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	400	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	21,748	22,044	17,389	41,832	42,497	42,497	17,378	21,907	17,202
Infrastructure - Road transport	16,875	16,887	3,288	19,936	25,006	25,006	6,416	8,240	8,220
Infrastructure - Electricity	1,440	1,447	7,183	7,600	7,600	7,600	5,650	5,460	4,720
Infrastructure - Water	414	473	2,100	1,106	1,097	1,097	2,257	2,570	2,367
Infrastructure - Sanitation	567	432	1,687	5,483	2,483	2,483	1,795	4,820	790
Infrastructure - Other	-	-	-	-	1,430	1,430	-	-	-
Infrastructure	19,297	19,238	14,258	34,125	37,616	37,616	16,118	21,090	16,097
Community	288	401	202	2,826	2,302	2,302	580	255	545
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	2,164	2,404	2,929	4,881	2,579	2,579	680	562	560
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
Total Capital Expenditure									
Infrastructure - Road transport	23,075	20,850	15,825	25,852	32,218	32,218	14,316	13,956	15,220
Infrastructure - Electricity	4,083	10,636	9,189	15,290	12,966	12,966	8,409	17,485	24,120
Infrastructure - Water	6,024	5,626	5,991	7,787	5,824	5,824	6,157	6,470	11,180
Infrastructure - Sanitation	8,601	15,926	4,278	7,613	9,123	9,123	8,390	9,950	4,020
Infrastructure - Other	70	-	-	-	1,430	1,430	-	150	150
Infrastructure	41,853	53,038	35,283	56,542	61,561	61,561	37,272	48,011	54,690
Community	2,389	772	202	3,846	3,779	3,779	2,004	979	1,775
Heritage assets	-	-	8,326	-	-	-	-	-	-
Investment properties	-	-	-	-	350	350	700	-	-
Other assets	325,034	7,747	7,913	7,734	6,076	6,076	6,910	11,084	8,179
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	400	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	369,676	61,557	51,724	68,122	71,766	71,766	46,886	60,074	64,643
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport									
Infrastructure - Electricity									
Infrastructure - Water									
Infrastructure - Sanitation									
Infrastructure - Other									
Infrastructure	-	-	-	-	-	-	-	-	-
Community									
Heritage assets									
Investment properties	119,233	43,093	43,450	43,450	43,450	43,450	43,450	43,450	43,450
Other assets									
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	366	366	366	366	366
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	119,233	43,093	43,450	43,450	43,816	43,816	43,816	43,816	43,816
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	9,665	14,131	15,598	16,476	16,476	16,476	17,741	19,699	21,956
Repairs and Maintenance by Asset Class	11,125	11,372	12,476	12,908	12,662	12,662	12,585	13,600	14,618
Infrastructure - Road transport	2,456	2,329	2,781	2,030	2,030	2,030	2,306	2,141	2,252
Infrastructure - Electricity	1,716	1,717	1,439	1,389	1,432	1,432	1,468	1,570	1,670
Infrastructure - Water	414	473	634	367	367	367	448	482	517
Infrastructure - Sanitation	567	432	485	295	295	295	328	349	367
Infrastructure - Other	166	187	222	218	218	218	254	270	288
Infrastructure	5,320	5,138	5,562	4,298	4,341	4,341	4,805	4,811	5,094
Community	288	454	819	1,003	743	743	953	908	954
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	5,517	5,780	6,095	7,607	7,578	7,578	6,827	7,881	8,569
TOTAL EXPENDITURE OTHER ITEMS	20,790	25,503	28,074	29,383	29,138	29,138	30,326	33,299	36,574
Renewal of Existing Assets as % of total capex	5.9%	35.8%	33.6%	61.4%	59.2%	59.2%	37.1%	36.5%	26.6%
Renewal of Existing Assets as % of deprechn	225.0%	156.0%	111.5%	253.9%	257.9%	257.9%	98.0%	111.2%	78.3%
R&M as a % of PPE	3.1%	2.4%	2.5%	2.3%	2.3%	2.3%	2.1%	2.2%	2.2%
Renewal and R&M as a % of PPE	28.0%	78.0%	69.0%	126.0%	126.0%	126.0%	68.0%	81.0%	73.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The allocation for new assets and renewal of existing assets for 2011/12 and 2012/13 are as follows:
 - New Assets – 2011/12 = 40,8% 2012/13 = 62,9%
 - Renewal of existing assets – 2011/12 = 59,2% 2012/13 = 37,1%

Hessequa on average meets these requirements.

In the above table Hessequa does not meet the Repairs and Maintenance at 8% of PPE. Hessequa does not charge out any transport or labour to repairs and maintenance, and therefore the percentage will be much lower.

Table 24 MBRR Table A10 - Basic Service Delivery Measurement

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
Household service targets									
Water:									
Piped water inside dwelling	12,500	12,696	12,696	12,696	12,696	12,696	12,950	12,950	12,950
Piped water inside yard (but not in dwelling)									
Using public tap (at least min.service level)									
Other water supply (at least min.service level)									
Minimum Service Level and Above sub-total	12,500	12,696	12,696	12,696	12,696	12,696	12,950	12,950	12,950
Using public tap (< min.service level)									
Other water supply (< min.service level)									
No water supply									
Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-
Total number of households	12,500	12,696	12,696	12,696	12,696	12,696	12,950	12,950	12,950
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	10,047	10,200	10,350	10,514	10,514	10,514	10,724	10,724	10,724
Flush toilet (with septic tank)	2,016	2,047	2,083	2,099	2,099	2,099	2,141	2,141	2,141
Chemical toilet									
Pit toilet (ventilated)									
Other toilet provisions (> min.service level)									
Minimum Service Level and Above sub-total	12,063	12,247	12,433	12,613	12,613	12,613	12,865	12,865	12,865
Bucket toilet									
Other toilet provisions (< min.service level)									
No toilet provisions									
Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-
Total number of households	12,063	12,247	12,433	12,613	12,613	12,613	12,865	12,865	12,865
Energy:									
Electricity (at least min.service level)	4,700	4,881	4,996	5,031	5,031	5,031	5,157	5,157	5,157
Electricity - prepaid (min.service level)	7,000	7,605	7,801	7,838	7,838	7,838	8,034	8,034	8,034
Minimum Service Level and Above sub-total	11,700	12,486	12,797	12,869	12,869	12,869	13,191	13,191	13,191
Electricity (< min.service level)									
Electricity - prepaid (< min. service level)									
Other energy sources									
Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-
Total number of households	11,700	12,486	12,797	12,869	12,869	12,869	13,191	13,191	13,191
Refuse:									
Removed at least once a week	12,152	12,464		12,784	12,784	12,784	13,040	13,040	13,040
Minimum Service Level and Above sub-total	12,152	12,464	-	12,784	12,784	12,784	13,040	13,040	13,040
Removed less frequently than once a week									
Using communal refuse dump									
Using own refuse dump									
Other rubbish disposal									
No rubbish disposal									
Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-
Total number of households	12,152	12,464	-	12,784	12,784	12,784	13,040	13,040	13,040
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	2,163	3,299	4,375	4,725	4,725	4,725	5,000	5,100	5,100
Sanitation (free minimum level service)	2,163	3,298	4,204	4,378	4,378	4,378	5,000	5,100	5,100
Electricity/other energy (50kwh per household per month)	2,163	3,298	4,375	4,725	4,725	4,725	5,000	5,100	5,100
Refuse (removed at least once a week)	2,163	3,298	3,216	4,400	4,460	4,460	5,000	5,100	5,100
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	290	275	297	319	319	319	357	382	415
Sanitation (free sanitation service)	147	263	284	306	306	306	402	422	456
Electricity/other energy (50kwh per household per month)	132	132	143	171	171	171	163	179	197
Refuse (removed once a week)	125	212	229	247	247	247	332	359	364
Total cost of FBS provided (minimum social p	694	882	953	1,043	1,043	1,043	1,254	1,342	1,432
Highest level of free service provided									
Property rates (R value threshold)	50,000	50,000	50,000	50,000	50,000	50,000	50,000		
Water (kilolitres per household per month)	6	6	6	6	6	6	6		
Sanitation (kilolitres per household per month)									
Sanitation (Rand per household per month)									
Electricity (kwh per household per month)	50	50	50	50	50	50	50		
Refuse (average litres per week)									
Revenue cost of free services provided (R'000)									
Property rates (R15 000 threshold rebate)	2,457	2,771	3,030	3,283	3,283	3,283	3,578	4,008	4,408
Property rates (other exemptions, reductions and rebates)	665	919	992	1,084	1,084	1,084	1,306	1,376	1,476
Water	3,476	3,297	3,407	3,826	3,826	3,826	4,289	4,579	4,979
Sanitation	1,760	3,152	3,250	3,676	3,676	3,676	4,826	5,067	5,473
Electricity/other energy	1,588	1,583	1,710	2,055	2,055	2,055	1,954	2,149	2,364
Refuse	1,504	2,539	2,742	2,962	2,962	2,962	3,981	4,306	4,369
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other	307	307	307	132	132	132	309	325	351
Total revenue cost of free services provided (total social package)	11,757	14,568	15,438	17,018	17,018	17,018	20,243	21,810	23,420

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Hessequa continues to make progress wherever backlogs exist.
3. The budget provides for 5 000 households to be registered as indigent in 2012/13 in accordance with the Hessequa Indigent Policy and therefore entitled to receiving Free Basic Services. The number is not set to increase much in the outer years.
4. It is anticipated that these Free Basic Services will cost the municipality R1,246 million in 2012/13, increasing to R1,342 million in 2013/14 and increasing to R1,432 million in 2014/15. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the Hessequa Municipality also allocates free basic services of R20,243 million in 2012/13 and R21,810 million in 2013/14 and R23,420 million in 2014/15. This "tax expenditure" needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.